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FINANCIAL TIMES

A patchy recovery
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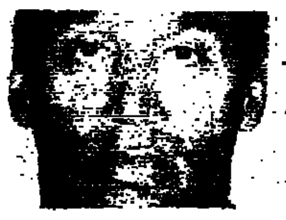

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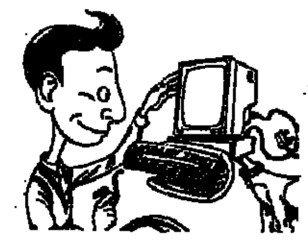

Media futures
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Business travel
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World Business Newspaper — TUESDAY APRIL 18 1995

UN leader opens talks on extending nuclear treaty

UN secretary-general Boutros Boutros Ghali urged an end to nuclear testing, and production, sale or transfer of nuclear weapons as he opened the conference on extending the Nuclear Non-Proliferation Treaty yesterday. But he avoided taking sides in the debate on whether it should be extended indefinitely or for a limited period. Egypt has said it will continue efforts to put a time limit on the renewal of the 176-nation treaty unless Israel is brought into arrangements for nuclear disarmament. Page 4; Protesters invade UK plants, Page 11; Editorial Comment, Page 19

Chirac leads presidential hopefuls: Campaigning for the French presidential elections enters its final phase with the Gaullist mayor of Paris, Jacques Chirac, enjoying a clear lead over prime minister Edouard Balladur and Socialist party candidate Lionel Jospin, in the race to succeed President François Mitterrand.

Japan and US resume trade talks: Japan and the US resumed high-level talks on vehicle trade, with both sides optimistic that agreement could be reached to increase Japanese imports of cars and car parts. Page 4

European new car sales fall: Sales of new cars in Western Europe fell in March by 2.3 per cent year on year, leaving total first-quarter sales only 1.5 per cent higher than a year ago. Page 3

Canadians celebrate fishing 'victory':

Canadian fisheries minister Brian Tobin (left), capped six weeks of political glory by welcoming home a small flotilla of patrol vessels from the contested fishing grounds in the north-west Atlantic. Meanwhile, Spain summoned the British ambassador in Madrid to express displeasure at Britain's position during the dispute between Canada and the European Union. Page 3

Citibank news cheers Argentina: Argentina received a big lift with the news from Citibank that it had nearly completed international placement of a much-delayed $1bn sovereign bond issue. Page 4

Investment in China drops: Newly contracted foreign investment in China dropped sharply in 1994 after the hectic pace of the two preceding boom years. But actual utilised investment was well up on the previous year. Page 20

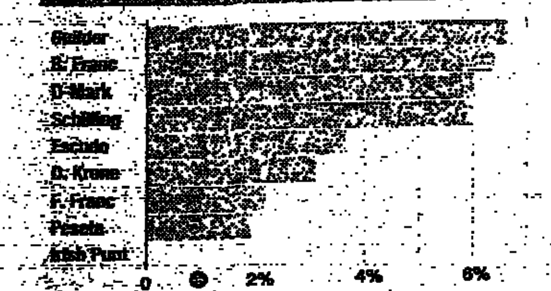
Russia probes arms dealing: Russian prosecutors filed charges against the main government arms trading organisation, launching the country's most serious investigation of corruption against a state body since the collapse of the former Soviet Union. Page 2

Apec urges IMF study: Finance ministers from the 18 countries of the Asia Pacific Economic Co-operation forum have urged the International Monetary Fund to study foreign exchange market instability, which they fear could disrupt economic growth in the region. Page 6

Japanese companies fined $20m: Japan's Fair Trade Commission has imposed a total of Y1.86bn ($20.8m) punitive surcharges against 373 construction companies accused of rigging regional construction bids. Page 5

European Monetary System: The continued retreat of the D-Mark following the recent cut in German interest rates has unwound tensions in the EMS. The gap between strongest and weakest currency has shrunk to around 7 per cent from nearly 9 per cent a week previously. The order of currencies remains unchanged. Currencies, Page 31

EMS: Grid April 13, 1995



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

Philippine minister resigns: Philippine foreign secretary Roberto Romulo resigned after President Fidel Ramos accepted his offer to quit over the execution of a Filipino maid in Singapore. Page 6

STOCK MARKET INDICES

Tokyo Nikkei	16,304.15	(+256.26)
New York: lunchtime		
Dow Jones Ind Ave	4,232.39	(+24.21)
S&P Composite	510.68	(+1.45)

US RATES LUNCHTIME

Federal Funds	$6\frac{1}{8}$%
3-mo Treas Bills: Yld	5.74%
Long Bond	$103\frac{7}{32}$
Yield	7.351%

GOLD

New York Comex (Jun)	$396.5	(392.4)

STERLING

New York lunchtime:	
$	1.6235

DOLLAR

New York lunchtime:	
DM	1.368
FFr	4.78525
SFr	1.1282
Y	82.035
Tokyo close Y 82.3	

London markets closed

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00		
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11.		
Belgium	BFr20	Hungary	Ft185	Neth	Fl 4.25	Singapore	S$4.30		
Bulgaria	Lv100.00	Iceland	IKr220	Nigeria	Naira99	Slovak Rp	KSL80		
Cyprus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00		
Czech Rp	CZK55	Israel	Shk7.90	Oman	OR1.50	Spain	Pta225		
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17		
Egypt	E£5.00	Japan	Y500	Philippines	Pso50	Switz	SFr3.80		
Estonia	EKr 20	Jordan	JD1.50	Poland	Zl 42,000	Syria	S£50.00		
Finland	FM16	Kuwait	Fils625	Portugal (m'land)	Es220	Tunisia	Din1.500		
France	FFr10.50	Lebanon	US$1.50			Turkey	L40,000		
Germany	DM3.80	Lux	LFr70			UAE	Dh12.00		

EU to probe regional fund grants to UK utilities

By John Kampfner, Westminster Correspondent

The European Commission is investigating the payment of grants of nearly £450m to UK companies amid Labour claims that the money was used to enhance the financial position of state utilities ahead of privatisation.

Mr Alan Milburn, an opposition Labour party MP, is to raise the issue in parliament after compiling data showing that at least £435m ($700m) worth of grants from the European Union's regional development fund went to projects undertaken by UK monopolies that were subsequently sold.

"Public money through European grants was given to support vital public services. Instead it has been used to fuel bumper profits and excessive salaries in the boardrooms of private companies," Mr Milburn said yesterday.

Attention has also been focused on other EU member states that have undertaken, or are preparing to undertake, privatisation of utilities.

But EU officials say the speed and breadth of Britain's sell-off programme set it apart. The Commission, which began investigating the use of grants last year, has written to member states asking for more information to make clear whether any aid was transferred directly into the asset value of companies.

Details of the grants, disclosed by government departments in response to parliamentary questions tabled by Mr Milburn, show that British Telecommunications, which was privatised in 1984, has received £58m in EU subsidies.

The privatised water companies have accrued at least £148m and the electricity companies £89m. Some of the more contentious projects were sited in Scotland, which received £93m over a 10-year period, and Northern Ireland, which received £54m.

The Commission is particularly interested in Clydeport, the Glasgow port operator, and Belfast international airport, privatised last July at a cost of £33m. It is considering asking for at least partial repayment of airport grants totalling at least £17m.

Although most of the regional aid was given before privatisation, EU officials are concerned that the money may have been used subsequently to enhance the companies' financial base ahead of sell-offs.

In a letter to the member states' permanent representations in Brussels, the Commission has asked for an examination of "all cases of infrastructure privatisation which have benefited from the structural fund". The letter says that the Commission wants to establish "what further possible action might be needed to take into account the circumstances in which privatisation was undertaken". A senior official said: "We need to tighten the rules. It depends to what extent the objective of the grants has been distorted. But there is enough anxiety to merit specific checks."

The official said the Commission was not alleging illegality or impropriety. But it was determined to ensure that individual and corporate profits have not been accrued on the back of ERDF investment.

The Commission can demand repayment, but the official said it would be "very difficult".

US currency faces more market pressure

Cool response to Japanese package sends dollar down

By William Dawkins in Tokyo and Philip Gawith in London

The dollar was driven lower against the yen yesterday as investors gave a lukewarm response to the Japanese government's latest economic package and were unconvinced by US government insistence that it favours a strong dollar.

Mr Robert Rubin, the US Treasury secretary, said he would reserve formal judgment of the Japanese package until more details became available. But he attempted to lend verbal support to the currency, suggesting that the US believed "very strongly that a strong dollar is in our interest".

Mr Rubin faces strong resistance in the currency markets, where analysts are expecting the dollar to re-test the historic low of Y80.15 reached against the yen last week.

At lunchtime in New York yesterday, the dollar was trading at Y82 and DM1.3675, well below the Y83.30 and DM1.39 levels at which it was trading when the Japanese package was announced last Friday along with a three-quarter-point cut in the country's official discount rate to 1 per cent. Earlier yesterday the Bank of Japan had supported the dollar when it fell to Y81.80 in Tokyo.

The markets' lack of enthusiasm for the Japanese package will add to the Tokyo government's anxiety that the country's faltering economic recovery risks being choked by the yen's rise. The currency's rise of nearly 22 per cent against the dollar this year has hit Japan's export earnings and damped domestic industrial investment at a time when the government is in too much political disarray to take radical action.

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The package was "regrettably ... ineffective," said Mr Hiroshi Saito, chairman of the Japan Iron and Steel Federation, an industry cruelly exposed by the yen's strength to cheap competition from South Korea and Vietnam.

He advised the government to consider setting "concrete" targets to reduce the current account surplus. To the relief of many other industrialised countries, the Japanese government has long resisted US demands for such targets, on the grounds they would amount to managed trade.

Yet there is growing political pressure in Japan to reconsider targets, led by parts of the Liberal Democratic party, which is sensitive to rising corporate demands for relief from exchange rate pressure. The LDP tried to get targets for a reduction in the current account surplus and an increase in imports included in last week's package, but met resistance on both counts from the powerful finance ministry.

An attempt by Mr Masayoshi Takemura, Japan's finance minister, to urge Mr Rubin to take action to curb the dollar's fall, made in the margins of a meeting of Asia Pacific Economic Cooperation forum finance ministers in Bali at the weekend, appears to have been unsuccessful.

Mr Takemura implied that Tokyo and Washington had agreed to cooperate to stabilise exchange rates,

but US officials in Tokyo yesterday denied that there had been any change in US policy on the dollar.

Soldiers clash with protesters

Israeli soldiers beat Palestinian demonstrators and detained 13 during a march yesterday in the occupied West Bank seeking the release of thousands of prisoners held by Israel, witnesses said.

The demonstration in the town of Ramallah was one of several protests organised throughout the West Bank and self-ruled Gaza by the Palestinian Prisoners Club – a group fighting for prisoners' release – to mark an annual prisoners day. Israel released about 5,000 Palestinian prisoners under its peace deal with the PLO. But at least 6,000 more remain in jail while talks on expanding self-rule continue amid guerrilla attacks against Israelis by Moslem militants.

Witnesses in Ramallah said Israeli soldiers surrounded some 100 men and women marching with placards and began beating about 20 of them with gun butts and sticks. Palestinian police's torn loyalties, Page 20 Picture: Reuters

Oil price rises after Baghdad turns down UN plan

By Robert Corzine in London

Oil prices were sharply higher in New York yesterday, resuming a month-long rally that was halted late last week by fears that Iraq would begin limited oil sales under a United Nations plan.

Iraq's cabinet rejected the plan for $2bn in sales, agreed by the UN on Friday, on the grounds that the oil embargo should be fully lifted. The formal Iraqi response, announced on Sunday, prompted traders to push oil prices higher yesterday.

At one point the price of crude oil for May delivery on the Nymex in New York rose 85 cents to reach $20 a barrel, just 10 cents off the eight-month high recorded last week. The important Brent market in London, however, was closed because of the holiday weekend in the UK.

Oil prices have risen in recent weeks in response to growing demand, especially in the US, where low stocks of gasoline set off the latest price rally.

But yesterday's rally in New York was at least temporar-

Continued on Page 20

Executives quit as Salomon Brothers revamps business

By Maggie Urry in New York

Salomon Brothers, the investment banking arm of Salomon, yesterday announced a wide-ranging restructuring of its management and said it would amend its controversial new compensation scheme, which has led to the departure of 15 of its 200 managing directors.

The management changes involve a new structure dividing the client-related business from the proprietary trading activity (dealing for the firm's own account). In the past the business has been managed on a geographical basis.

The changes follow the group's worst year when it made a pre-tax loss for 1994 of $831m. Those results were characterised as "not acceptable" by Mr Deryck Maughan, chairman and chief executive of Salomon Brothers.

Although Wall Street firms in general suffered poor trading conditions in 1994, Salomon fared worse. The fall in the bond market caused significant inventory losses as the firm was wrongly positioned for the drop.

The firm also took a one-off pre-tax charge of $278m relating to book-keeping errors which had accumulated over a number of years. Within the $831m loss, the client-driven businesses lost $636m and the proprietary trading side lost $49m.

Mr Maughan said of the restructuring: "We are taking a new approach to the way we manage our business." He said this reflected "the continued evolution of our industry and the introduction last [autumn] of the Client Business Partnership". It was this partnership which linked managing directors' compensation to the return on capital the division achieved.

The management changes involve replacing the executive committee by a management board. Ten members of the old committee are on the new 12-person board. Departures include Mr Richard Barrett, who was head of investment banking, and Mr Martin Leibowitz, who was in charge of the research department. Both resigned last week.

Joining the board are Mr Eric Fast and Mr Eduardo Mestre, who have been appointed co-heads of investment banking. An operating committee is being formed to run the client business.

Mr Dennis Keegan is taking charge of the proprietary trading side and will be responsible for managing trading risks.

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Ailing Mitterrand prepares to step down

The French president is quietly bringing an end to his record run, writes **David Buchan**

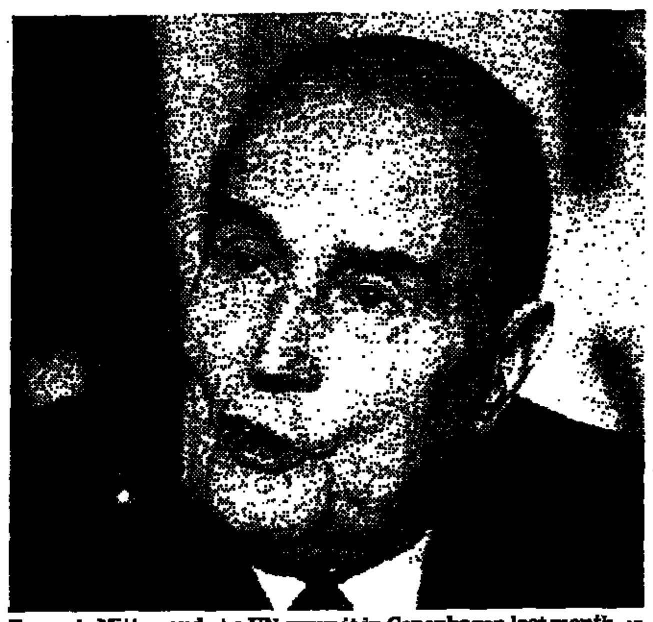
Behind all the noise of candidates auditioning for his role, François Mitterrand is quietly backstage winding up his record 14 year run as president, so as to have his archives, books and himself out of the Elysée in time for the curtain to go up on the new act next month.

But the 78-year old president, now visibly ailing from his prostate cancer, is not quite as out of the electoral fray as he would clearly now like. Some members of his Socialist party, anxious to use every means to propel their candidate, Mr Lionel Jospin, into the final run-off election on May 7, have been urging him to do more to intervene in the campaign on Mr Jospin's behalf before the first round next Saturday.

The president has made clear he feels that he has done what he physically can, using recent rare public appearances to endorse Mr Jospin and to snipe at his Gaullist opponents, and that he wants to devote his remaining energies to making his exit. And so does his rapidly-disbanding team. Mr Hubert Vedrine, the Elysée secretary general, is to retreat to the Conseil d'Etat, the state's legal advisory body, as is his spokesman, Mr Jean Musitelli, while the deputy secretary general, Mrs Anne Lauvergeon, is eyeing the private sector.

The Mitterrand archives are being packed up to go into a special section at the National Archives. Several tens of thousands of books that the president has been given over the years are destined for a library at Nevers in the region where Mr Mitterrand was long a deputy. Other official gifts, chiefly pictures and drawings, are to be shifted to Jarnac, the Mitterrand birthplace. When he returns full-time to his Left Bank residence on the rue de Bièvre, where he has always slept, Mr Mitterrand will not be taking from the Elysée much more than he arrived with in 1981.

The president faces one final marathon – the 50th anniversary of the end of the war in Europe – which as a history buff he has no intention of missing. Indeed, it may have strengthened his determination to carry on to the end. On May 7, after voting in his old constituency of Chateau-Chinon, he will fly to London, return to Paris to host old allies and enemies at a lunch on May 8, then depart for Berlin, and fly to Moscow the following day. For, he will still legally be president, and cannot hand over until the May 7 election has been formally declared valid, probably around May 10-12. The handover will be shortly thereafter. Mr Mitterrand has made clear he does not want to linger on until midnight on May 20, the legal time-limit on his mandate.



François Mitterrand at a UN summit in Copenhagen last month AP

But lingering question marks about Mr Mitterrand's own personal history are another reason why he is not yet completely above the fray, even of this election campaign. The chief of these concerns his role in the war-time Vichy administration, and in particular his semi-friendship until the early 1980s with René Bousquet, the Vichy chief of police.

Mr Mitterrand did not himself reveal his relationship with Bousquet who was accused in 1989 of war crimes, but shot dead in a Paris street two years ago before he could stand trial. The Bousquet connection emerged last year in a Mitterrand biography whose author, however, was generally helped in his work by the president.

As part of his clear strategy to explain his past before the historians get their hands on it, Mr Mitterrand stresses that once he learnt about Bousquet's role in deporting Jewish children, he "dropped" him and, after an encounter in 1986, never saw him again. In a television interview last Friday, mainly about his "grands travaux" at the Louvre and elsewhere, Mr Mitterrand said he would be deeply wounded if people thought he had had contact with Bousquet in full knowledge of the Vichy police chief's real wartime record.

But Mr Elie Wiesel, the American Jewish friend who published a book last week of conservations with the president, believes Mr Mitterrand should have known better – or at least sooner – about Bousquet. Mr Serge Klarsfeld, president of the association of the sons and daughters of deported French Jews, claimed to Le Monde this weekend that, once the truth about Bousquet began to emerge in 1978-79, any relations with him were "morally condemnable".

None of this is going to improve Mr Jospin's election chances. On the other hand, it may not hurt him much; the Jewish vote is not as organised in France as it is in the US, and Mr Jospin has always kept a certain distance from Mr Mitterrand's personal record. It may prove no more a handicap to the Socialist candidate than the minor brouhaha over Mrs Danielle Mitterrand's insistence on inviting President Fidel Castro to the Elysée earlier this year.

Certainly, Paris-Match's recent revelation – of a quite different nature – that the president has an illegitimate daughter, a pretty student called Mazarine, did him no harm with the French public. Paris-Match was only revealing what had apparently been widely known in Paris already.

In fact, the only disapproval, by much of the press, was directed at the magazine for publishing photographs that were considered an invasion of privacy, disregarding the possible public issue of Mazarine and her mother being long housed in state property. Since then even Mrs Danielle Mitterrand has spoken up for Mazarine. Again, in a curious way, one almost detects a sense of relief on the president's part at certain facts coming to light while he is still around to put his gloss on them.

France reviews Bosnia mission

By John Ridding in Paris

Mr Edouard Balladur, French prime minister, is to meet senior members of his government today to review France's Bosnia peacekeeping mission after the deaths of two French soldiers at the weekend.

The meeting, which will include Mr François Leotard, defence minister, and Mr Alain Juppé, foreign minister, follows warnings by the French government that it could withdraw its peacekeeping forces. However, officials indicated yesterday that the priority was to find measures to improve security of UN forces and the extension of a crumbling ceasefire which is due to expire at the end of the month.

The deaths of the French troops in Sarajevo comes at a sensitive time for Mr Balladur, one week before the first round of voting in France's presidential elections. French policy towards former Yugoslavia, and the presence of 4,500 of its troops there, has not been an election issue. But the latest deaths will add to concerns about the peacekeeping mission and may put the operation on the political agenda.

Mr Lionel Jospin, the Socialist candidate in the presidential contest, demanded "greater clarity" from the government regarding its Bosnian policy. He called for tougher measures against the Bosnian Serbs as a means of encouraging a diplomatic solution to the conflict in the former Yugoslavia.

Mr Leotard said no decision had been made concerning French policy and that Paris would consult its European partners on the future of the United Nations' peacekeeping mission. However, Mr Balladur indicated that certain conditions need to be satisfied for the mission to be maintained.

These conditions, contained in a statement issued by the prime minister's office, include extension of the ceasefire in Bosnia, a demand for progress towards a peace accord and freedom for UN forces to carry out their mission.

Diplomats played down the prospect of a French withdrawal, but said Paris had expressed increasing impatience about the failure to make progress towards a peace agreement.

Mr Leotard, who described France's "indignation and rage" at the deaths of the French troops, said the peacekeepers' mission remained useful. "They are protecting tens of thousands of civilians," he said, adding that a troop withdrawal would only be justified if the UN forces were found to be completely impotent. "This is not the case today."

Thirty-three French troops have now been killed in former Yugoslavia since spring 1992.

Bosnian Serb leader Mr Radovan Karadzic yesterday announced he would reorganise his army and crush his Moslem foes if peace talks did not resume soon, *writes Laura Silber in Belgrade*.

Following a closed-door session of the Bosnian Serb assembly in Sanski Most, a Serb-held town in north-western Bosnia, Mr Karadzic said: "If there are not going to be negotiations, we are going to transform our army in some ways in order to obtain full victory against our enemies."

His threats came after General Ratko Mladic, Bosnian Serb commander, said Serb forces, which control about 70 per cent of Bosnia, had been stretched to contain a recent Moslem offensive. General Mladic reportedly asked for unchecked access to financial resources and material.

Russia to probe arms trading

By Chrystia Freeland and Dmitri Volkov in Moscow

Russian state prosecutors yesterday filed criminal charges against the main government arms trading organisation, launching Russia's most serious formal investigation of corruption against a state organisation since the collapse of the former Soviet Union.

The prosecutors have accused Rosvoruzhenie, a government arms trading agency founded in 1994 and affiliated to the Ministry of Defence, of failing to pay Rbs44bn in taxes and conducting $90m (£56m) in hard currency trade without proper licenses from the central bank. In a story published today, the Russian daily Sevodnya quoted Mr Alexander Zviagintsev, an aide to Russia's chief prosecutor, confirming charges were filed yesterday.

The criminal charges, based on an investigation conducted by the presidential administration and the Ministry of Finance, are the most direct step the government has taken to fulfil Russian President Boris Yeltsin's pledge last month that the Kremlin would launch a tough campaign against state corruption.

The criminal proceedings also threaten to undermine the Ministry of Defence, already weakened by the ineffectual performance of its forces in Chechnya, and are a further indication of the growing powers of the close-knit group of officials who form Mr Yeltsin's private administration.

Documents related to the investigation accuse Rosvoruzhenie of involvement in a number of questionable transactions. They allege that Rosvoruzhenie, and the agencies on whose basis it was established, have been regularly paying foreign middlemen a 20 per cent commission on all trades, coming to a total last year of $30m to $35m.

The investigators' documents also accuse Rosvoruzhenie and the Ministry of Defence of involvement in a number of transactions in co-operation with private Russian arms traders, some of them operating without government licenses.

NEWS: EUROPE

Moscow prepares to mark wartime victory

By Chrystia Freeland in Moscow

Three weeks before the grandiose celebrations planned for the 50th anniversary of the end of the second world war, Moscow is abuzz with preparations for the retinue of high-powered western guests, including Mr Bill Clinton, the US president, who have promised to attend.

Urban thoroughfares are regularly blocked for rehearsals of the May 9 Victory Day parade and a brand new complex of military monuments is being frantically constructed a few miles from the Kremlin to spare Mr Clinton the embarrassment of presiding over a display of Russian arms.

But, even as fresh coats of paint are being brushed over any building likely to encounter Mr Clinton's eye, the Russian military has launched a more brutal set of preparations. Eager to subdue resistance in the Chechen republic before May 9, Russian officials said yesterday Russian forces were preparing a renewed assault on Bamut, the remaining Chechen stronghold in the region's arable and industrialised northern and central areas.

Moreover, over the weekend Gen Pavel Grachev, the Russian minister of defence, served notice that, until "conditions are stable in Russia" Moscow would ignore some provisions limiting the numbers of troops and armaments in Europe set out in the Conventional Forces in Europe treaty. "The amount of arms and military equipment which the treaty allows Russia to have in this region [the Caucasus] is insufficient," Mr Grachev said.

While the immediate catalyst for Mr Grachev's comments was the limit the CFE treaty would put on Moscow's ability to send in additional troops and tanks to quell Chechen resistance, he also voiced broader dissatisfaction with the arms pact.

"We are trying to convince our partners that the leaders of the former Soviet Union made a mistake when they signed this pact," Mr Grachev said, expressing the widely held Russian view that the CFE treaty, signed before the collapse of the Soviet Union, places undue restrictions upon the newly separate and shrunken Russian Federation. "Now that the Soviet Union has broken up, Russia, as its successor, cannot observe all of the flank limitations."

Mr Grachev's attack on the CFE treaty and Russia's apparent willingness to pursue its war in Chechnya in the face of unrelenting western criticism are both signs of a new, tougher foreign and military stance which is crystallising in Moscow. Other issues on which Russia is taking a harder line include its determination to carry out a sale of nuclear reactors to Iran, despite US protests, its unwavering opposition to an eastward expansion of the Nato alliance and recent warnings that the Start 2 treaty, which limits nuclear weapons, is unlikely to be ratified by the Russian parliament.

Mr Grachev's warning threatens to undermine the painstaking efforts of western, and in particular US, politicians to separate the Chechen conflict from the broader foreign and military policies of the Yeltsin administration.

But because the west fears that any successor is likely to be even more hostile, it continues to believe that continued friendliness is the only option.

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Canada celebrates EU fishing deal ■ Galician trade unionists call it a 'shot in the head'

Tobin savours glory of victory at sea

By Bernard Simon in Toronto

Mr Brian Tobin, Canada's fisheries minister, capped six weeks of political glory yesterday in St John's, Newfoundland, by welcoming home a small flotilla of Canadian patrol vessels from the contested fishing grounds in the north-west Atlantic.

Mr Tobin, dismissed just a few years ago as a loud-mouthed backbencher, has emerged as the most visible winner in the six-week-old fishing dispute between Canada, Spain and other members of the European Union.

His skilled public relations deflected criticism from Canada's less-than-perfect fishing practices to focus attention on the threat faced by the world's fishing grounds. The 40-year-old former radio announcer's forceful approach towards Spanish trawlers on the Grand Banks triumphed over more cautious voices within the department of foreign affairs in Ottawa.

In the deal secured over the weekend, Ottowa gave up a big chunk of its previous quota, but gained enforcement measures which go beyond any previous monitoring of fishing activities in international waters. Mr Jean Chrétien, Canada's prime minister, described the agreement as "a major breakthrough on conservation and enforcement – our primary objective."

Independent observers will be placed on board all vessels to enforce conservation rules. Satellite surveillance of fishing activities will be stepped up, and Canada will be allowed to conduct tougher inspections of foreign trawlers at sea and in port.

Amid the celebrations however, some voices of caution were being raised.

NORTH-WEST ATLANTIC DEAL

- 1995 limit for Greenland halibut (turbot) catch 27,000 tonnes
- The EU (Spain and Portugal) allowed to fish another 5,013 tonnes this year; about 6,000 already caught
- Canada to fish up to 7,000 tonnes in own waters and 3,000 outside
- Other countries (Poland, Russia) may sell quotas to EU
- Canada and EU each entitled to 41 per cent of 1996 quota
- Stricter mesh-size regulations for nets
- Independent observers on all trawlers in the area
- Satellite surveillance
- Canada to revoke rule allowing seizures of ships in international waters

Last weekend's deal still requires the approval of other Northwest Atlantic Fisheries Organisation members, such as Japan, Russia and the Baltic states. The EU and Canada will need to co-operate to persuade these countries that the agreement is in everyone's best interests.

But a good deal of suspicion remains between Canada and the EU, especially Spain. The Spanish fishing industry's anger at its share of the quota could pave the way for difficult negotiations later this year when the 1996 catch is set.

For their part, the Canadians remain nervous about Spain's willingness to abide and enforce the quotas and other conservation measures, such as minimum fish and net sizes.

Politicians and officials on both sides of the Atlantic will be thinking hard over the next few months about how to avoid a repetition of the fisheries crisis.

There are several other irritants in EU-Canada relations, some of which have festered for years. The EU is unhappy about Ottawa's anti-dumping rules on steel and sugar. Canada has lobbied against curbs imposed by Brussels on its fur and lumber exports.

Some EU members, smarting from Mr Tobin's clear victory in the public opinion stakes, feel that the climate could be improved if wider publicity is given to recent achievements in the transatlantic relationship, such as the harmonisation of competition policy and product standards. One diplomat predicts "a more pro-active information effort".

Even Mr Tobin's success is not without potential pitfalls. Having drawn attention to overfishing on the high seas, he faces tough decisions on the preservation and revival of depleted fish stocks within Canadian waters.

For instance, concerns have mounted in recent months about dwindling salmon stocks on the other side of the continent. The fate of British Columbia's famous salmon fishery could ignite a hotter political fire under Mr Tobin than the less glamorous turbot in the distant north Atlantic.

Madrid dismayed by 'smears'

Indignation at the EU deal is widespread, writes David White

The Spanish government presented the EU's settlement with Canada over fishing rights as "the best agreement possible". But no-one else in Spain, and least of all in the north-western fishing region of Galicia, had anything good to say about it.

"The fishing industry wants to carry on fishing and would rather quit because of Canadian gunfire than because of Brussels dropping its trousers," said Mr José Ramón Fuertes, manager of the Vigo trawler-owners' association.

Indignation over the deal, which leaves the Spanish freezer-trawler fleet about a quarter of its previous annual catch of Greenland halibut (called turbot in Canada), was shared by conservatives and Communists alike. Galician trade unionists called it "a shot in the head". Even the mayor of Vigo, who belongs to the governing Socialist party, called it "scandalous".

Pressure on Spain to accept a deal became irresistible after a week in which Spanish fishing vessels were impounded for alleged illegal practices by Ireland, the UK, France and South Africa, and Spanish fishing licences in the rich coastal waters of Morocco risked being suspended altogether.

Last-ditch EU-Moroccan talks are scheduled next week, with only a few days to go before the current agreement runs out. Morocco is seeking catch reductions of 30-65 per cent, according to species, and more Moroccan crew on foreign boats. Spain, with about 650 boats relying on the Moroccan fishery, needs all the support it can get.

Madrid is dismayed by what it sees as a smear campaign against its fishermen – "a game of slurs and manipulation" according to Mr Luis Atienza, the agriculture and fisheries minister. But the lack of sympathy from Britain and Ireland is only one of a series of contretemps.

Spain realised from the start of EU-Canadian negotiations that it could never come back with a deal that would satisfy the Galician trawlermen. It has been thoroughly outmanoeuvred by the Canadians in the propaganda war. And it has been unable to do anything about what it regards as an initial blunder by the European Commission.

It believes that fishing of Greenland halibut, the last commercially viable species in the Newfoundland banks region, has been limited more than strictly necessary to preserve stocks. Most fishing agreements, Spanish officials argue, set overall limits at or slightly above the level recommended by scientists. They privately blame the EU and the previous fisheries commissioner Mr Yannis Paleokrassas for having agreed last November to an overall limit, inside and outside Canadian territorial waters, of 27,000 tonnes. The Northwest Atlantic Fisheries Organisation's scientific committee had suggested 40,000 tonnes, or about two thirds of the amount then being fished.

A less painful compromise might have been found within the higher limit. But arguing for a larger overall catch was by now out of the question. It would only have exposed Spain to further charges of environmental indifference.

"The Canadians have got the message across that this is a conservation issue," Mr Luis Atienza, the Spanish agriculture and fisheries minister, said last week. Spain has tried to persuade its partners that it is equally interested in protecting stocks, and that the question is how the catch should be divided up.

Faced with impressive Canadian lobbying and a virulent outbreak of anti-Spanish reactions in the UK and Ireland, Madrid has tried to salvage its pride by insisting on principles of "international legality". This has meant persuading Canada to stop threatening Spanish and Portuguese vessels outside its 200-mile limit and to refund the bail bond paid by the owners of the trawler Estai after its capture last month, and to compensate them for having confiscated part of the vessel's catch. It is still pressing ahead with a case against Canada in the International Court of Justice in The Hague. It is also maintaining a visa requirement for Canadian citizens visiting Spain.

For Mr Atienza, these principles are "more important than 1,000 tonnes more or less". Galicia's deep-sea fishermen see it differently, however.

They accuse the EU of bending in response to the use of force – an encouragement for other coastal countries, they say, to act likewise. The Spanish will be seeking new fishing grounds to compensate for the partial loss of the Greenland halibut business. But difficulties already loom with countries such as Argentina.

The conflict has been a test for Spanish influence in the EU. Madrid prepared the ground in Brussels to ensure it had EU backing before challenging Canada. But the breakdown of EU unanimity and the disappointing outcome have left a bitter taste.

Yesterday's headlines were "Spain capitulates" and "Sunk!". A Gallup poll published at the weekend by the conservative ABC showed a telling development in Spaniards' feelings about the EU. More than 40 per cent thought membership unfavourable to Spain, against 34.5 per cent who thought it favourable.

Spain calls in British ambassador

Spain yesterday summoned the British ambassador in Madrid to express its displeasure at Britain's position during the fishing dispute between Canada and the European Union, *Reuter reports.*

"The ambassador is being called to the ministry today and he will be informed of Spain's displeasure at Britain's attitude from the beginning of this dispute until the very end," foreign minister Mr Javier Solana said. He said the EU was an association of countries with a "subtle equilibrium" and when a member broke this equilibrium, it had serious consequences.

These may become apparent when Spain takes over the presidency of the EU in the second half of this year.

W Europe car sales slipping

By John Griffiths

Western Europe's new car market recovery is faltering. Sales fell in March by 2.3 per cent year on year, leaving total first quarter sales only 1.5 per cent higher than a year ago.

Last month's statistics underline the caution repeatedly expressed by Europe's car makers about prospects for growth this year. Total sales in 1994 rose by nearly 6 per cent but year-on-year growth weakened to 3.7 per cent and 3 per cent respectively in January and February.

Sales fell last month in 11 of the region's 17 markets, according to provisional figures from Acea, the European Automobile Manufacturers' Association.

Even French sales, which had been recovering strongly, fell 1.3 per cent in March. Germany, by far the largest market and where growth has proved most elusive among the major EU nations, saw another decline – of 3.4 per cent – last month.

Demand in the UK fell 1.8 per cent year on year and, in Italy, by 1.6 per cent. The market hardest-hit was Belgium, where sales fell 22.5 per cent last month.

Such declines were only partly offset by strong growth in the smaller countries of Scandinavia. Norway's market jumped 27.9 per cent year on year last month and Finland's by 16.7 per cent.

Among individual car makers, Italy's Fiat group put in the most buoyant performance in March, increasing total sales – including those of Lancia and Alfa Romeo – by 12.4 per cent.

The Volkswagen group, Peugeot/Citroën, Ford and Renault all lost ground, with sales falls of 5 per cent or more last month.

Japanese manufacturers also continued to lose ground, their collective sales for the month falling by 3.1 per cent year on year. However the overall Japanese figure disguises wide variations in individual manufacturers' performances.

Nissan and Mazda saw falls of 12.4 and 11.4 per cent respectively, but Honda, whose new Civic model has joined the larger Accord in production at its UK manufacturing plant at Swindon, saw its sales leap by 16.6 per cent.

WEST EUROPEAN NEW CAR REGISTRATIONS
January-March 1995

	Volume (Units)	Volume Change(%)	Share (%) Jan-Mar 95	Share (%) Jan-Mar 94
TOTAL MARKET	3,277,200	+1.5	100.0	100.0
MANUFACTURERS:				
Volkswagen group	524,555	-0.9	16.0	16.4
– Volkswagen	346,229	-2.1	10.6	11.0
– Audi	95,255	+15.5	2.9	2.6
– Seat	70,528	-10.4	2.2	2.4
– Skoda*	12,573	-12.2	0.4	0.4
General Motors#	426,736	+1.8	13.0	13.0
– Opel/Vauxhall	408,068	+2.2	12.5	12.4
– Saab**	15,336	+11.2	0.5	0.4
PSA Peugeot Citroen	402,916	-0.8	12.3	12.6
– Peugeot	236,365	-1.5	7.2	7.4
– Citroen	166,553	+0.3	5.1	5.1
Fiat group##	399,600	+12.2	12.1	12.0
– Fiat	310,800	+12.1	9.5	8.6
– Lancia	48,700	+8.1	1.5	1.4
– Alfa Romeo	33,404	+14.4	1.0	0.9
Ford group#	393,835	+1.3	12.0	12.0
– Ford	389,511	+1.0	11.9	11.9
– Jaguar	4,324	+31.5	0.1	0.1
Renault	346,047	+5.4	10.6	10.2
BMW group	201,801	-1.3	6.2	6.3
– BMW	107,732	+6.5	3.3	3.1
– Rover	103,165	-9.0	2.9	3.2
Mercedes-Benz	117,895	-10.0	3.2	3.7
Nissan	92,895	-17.1	2.8	3.5
Toyota	83,861	-2.3	2.6	2.7
Volvo	62,055	+16.4	1.9	1.7
Mazda	49,860	-3.2	1.5	1.6
Honda	49,834	+19.7	1.5	1.3
Mitsubishi	32,143	+2.8	1.0	1.0
Total Japanese	351,436	-3.9	10.7	11.2
MARKETS:				
Germany	853,200	-1.4	26.0	26.7
Italy	536,500	+3.8	16.4	16.0
United Kingdom	525,400	-0.8	16.0	16.4
France	493,500	+8.9	15.1	14.1
Spain	206,300	+3.7	6.4	6.2

*VW holds 60.3 per cent of Skoda.
#includes cars imported from US and sold in western Europe.
**GM holds 50 per cent and management control of Saab Automobile.
Fiat group includes Lancia, Alfa Romeo, Innocenti, Ferrari and Maserati.
Source : ACEA (European Automobile Manufactures Association) estimates. Figures are rounded.

NEWS: INTERNATIONAL

Drawing the line around megadeath

Bernard Gray assesses conflicting aims at the UN's conference on the nuclear non-proliferation treaty

A seminal debate on whether nuclear weapons will spread around the world, or whether the atomic genie can be squeezed back into the bottle, opens in New York this week.

Yet, despite the overwhelming importance of the subject, and the presence of high-ranking delegations, the renewal conference on the nuclear non-proliferation treaty is getting off to a quiet start.

That may well change. Once the conference starts to vote on how to extend the treaty beyond its original 25-year life, sparks may fly.

The NPT divides the world into five recognised nuclear haves and every other nation that has agreed to be a nuclear have-not. The five nuclear weapons states (the US, Russia, UK, France and China) are keen to keep their monopoly of nuclear arms. The first four are suggesting (and China is unlikely to oppose) the NPT be extended indefinitely.

The nuclear weapons states say that only this indefinite extension will entrench the principle that such arms should never spread. The US, *in particular, also claims that* an indefinite extension would give it more confidence to take nuclear disarmament further.

Many developing countries – led by Egypt, Mexico, Nigeria and Iran – oppose an unlimited endorsement. They argue that to extend the treaty without limit would remove all leverage on the existing nuclear weapons states and would *freeze an unfair status quo.*

To these developing countries in the non-aligned movement, indefinite extension, far from entrenching non-proliferation, could make the treaty less flexible and risks spreading weapons further. The only sanction open to countries unhappy with the NPT or the behaviour of nuclear weapons states would be to leave the treaty: *once outside, they* might try to become nuclear arms states.

Besides, the non-aligned states are sceptical about the record of nuclear disarmament. The NPT committed the weapons states in 1970 to "a cessation of the nuclear arms race at an early date and to nuclear disarmament". Only recently, and with the 25-year deadline of the NPT near, have weapons states agreed to substantial cuts in warheads and started to negotiate seriously about banning all nuclear tests. Non-aligned states would like to extend the treaty for a limited period and have another review conference to keep the nuclear weapons states under *pressure.*

> **Mr Boutros Boutros Ghali, UN secretary general, told the opening of the nuclear non-proliferation treaty conference yesterday that doing away with nuclear arsenals was the "most safe, sure and swift way" to deal with the threat they posed, reports Michael Littlejohns in New York.**
>
> **However, he did not take sides in the debate on whether to extend the treaty indefinitely or only for limited periods. The UN chief urged an end to nuclear testing, production, and sales or transfer.**

But the conference mathematics are not easy for non-aligned countries. A simple majority of the 170-plus signatories is all that is required to extend the treaty indefinitely.

The US a claims to have the support of 90-100 countries for indefinite extension. The non-aligned movement has the support of only 40-50. Worse, for *the latter, there are different* reasons why developing countries want a limited extension.

Several Arab states, led by Egypt, are concerned that there is a nuclear imbalance within the Middle East, which they want resolved before agreeing to a long or indefinite extension of the NPT. Israel is not a party to the NPT and is widely accepted to be an unde*clared nuclear weapons state.*

Israel has said that it will only consider joining the NPT, and effectively giving up its nuclear arms, after a comprehensive peace settlement for the region, including countries as far away as Iran. Egypt argues that Israeli accession to the NPT would remove any excuse for other countries in the region to pursue nuclear weapons and would greatly improve the chances of a establishing a nuclear-free zone in the Middle East.

That argument seems unlikely to be settled at the conference, but the issue is very different to that of lack of progress on nuclear disarmament and the slow edging towards a nuclear test ban treaty which upsets other developing countries. Only if non-aligned countries can agree and hold to a common line during the conference are they likely to be able to offer a serious alternative to indefinite extension of the treaty.

If the opponents of such extension can coalesce around a single position, the conference could be finely balanced as it enters its final week in early May. A bare majority of votes for indefinite extension might be legally binding, but the dissatisfaction of the remainder could rob the non-*proliferation cause of much of* its moral authority. An overwhelming vote for a limited extension might then look more attractive to weapons states.

At present, there is little sign that the US or others want to contemplate such a course.

But nothing is certain in such conferences and ideas can gain a momentum of their *own. An early indication of* how strong opposition to indefinite extension is will be the solidarity of the non-aligned movement's statements at the start of the conference.

The result of a tussle over whether or not the voting system should favour a single limited-extension alternative to Washington's preferred course, or a multitude of options, will *also be some guide.*

As the opening chips start to go down, the betting has to favour the US and its harder core of allies.

Limited N-treaty sought by Egypt

By David Gardner, Middle East Editor, in Cairo

Egypt intends to continue efforts to put a time limit on the renewal of the nuclear Non-Proliferation Treaty (NPT), unless Israel is brought into international arrangements for nuclear disarmament.

The US is leading a campaign for an indefinite extension of the NPT, which came into force in 1970 for 25 years, and will be put to a vote by May 12 after a UN review conference starting this week in New York.

Egypt, with its Arab neighbours and in co-ordination with other Third World countries, is demanding that the NPT be universally applicable. It argues that Israel's presumed possession of nuclear warheads is a threat to security and the peace process in the Middle East.

"An indefinite extension is not in our interest," Mr Amr Moussa, Egyptian foreign minister, told the Financial Times before leaving for New York. "But a reasonable extension could help us negotiate a viable disarmament process in *the region." He insisted in an* interview: "We are members in good standing of the NPT and have absolutely no interest in destroying or withdrawing from this treaty." But, he added: "Universality means what it says in Webster's dictionary – for everybody."

Mr Moussa argues for an NPT extension of about five years, during which negotia*tions to turn the Middle East* into a nuclear weapons-free zone would proceed in tandem with the Israeli-Arab peace process, and then be tied into a definitive NPT.

Israel is not a signatory to the NPT, and refuses to confirm international intelligence estimates that it has an arsenal of up to 200 nuclear warheads. "We have clear ben*efits from the unclear situa*tion of Israel's nuclear capability," one senior Israeli foreign ministry official says.

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Bond placement lifts hopes for Argentine banks

By David Pilling in Buenos Aires

Argentina received a big lift yesterday with the news from Citibank that it had nearly completed international placement of a much delayed $1bn (£639m) sovereign bond issue.

The issue is part of a $2.5bn pool of funds the government is using to restructure the Argentine banking sector, which has been severely hit by a credit squeeze since Mexico's devaluation last December.

Mr William Rhodes, vice-president of Citibank, co-ordinator of the placement, said in a letter to the Argentine economy ministry yesterday that $900m was already promised by several international banks and that other institutions were expected to subscribe early this week.

The boost for the hard-hit banking sector came as Argentina prepared for the start today of a credit guarantee scheme that is to pay up to the equivalent of $20,000 to depositors at any bank that fails. The insurance scheme follows the weekend announcement by the central bank that it had suspended five private banks.

Among these was the regional Banco Integrado Departamental, one of Argentina's biggest banks in terms of branches (140), but medium-sized by deposits ($400m). Business there and at four smaller institutions has been suspended for 30 days while the central bank decides whether they should be closed permanently, restructured or *merged with healthier banks.*

Until today, Argentina, whose currency board system severely restricts the central bank's freedom to act as a lender of last resort, had no deposit insurance scheme. Those holding accounts in banks suspended on or before the weekend are not covered by the new guarantee.

Mr Martin Redrado, director *of the Fundación Capital eco*nomic consultancy, said the scheme was a "step in the right direction" and should help to reassure small and medium-sized depositors, who would receive "very good coverage". In the coming week alone, $4.5bn-$5bn of fixed-term deposits come up for renewal.

President Carlos Menem has appealed to savers to leave money in the financial system. However, bank customers who roll over 90 day-deposits this week will not be able to get at their cash until after the presidential election in mid-May. This could add to the temptation to withdraw funds.

Total bank deposits now stand at $36.5bn, nearly 20 per cent down on the total before Mexico devalued last December. The number of banks – many trapped between very high interest rates and the falling value of their bond and equity holdings – has shrunk from 166 last December to below 140, as institutions have been forced to merge.

The deposit insurance scheme, to be funded by the banks themselves, will fully cover investors for up to $10,000 on deposits of less than 90 days. Those with deposits of more than 90 days will be insured up to $20,000.

Banks will begin to pay 0.03-0.06 per cent of their deposits *into the insurance fund, to be* known as Sedesa, from next month. If any bank fails, Sedesa will reimburse depositors up to the maximum entitlement. From July 1, banks offering interest rates two percentage points above a central bank reference rate will be outside the guarantee scheme.

The central bank is to decide what percentage banks should *contribute to Sedesa according* to each bank's perceived risk, with higher-risk banks paying more. Bank contributions will be kept secret so as not to draw public attention to fragile institutions and risk provoking a run on deposits.

Mr Patricio Hickey, analyst at brokers Interacciones, said a political decision had been taken not to force more bank *closures so close to the presi*dential election on May 14. A big clean-up of the banking system would come after the election, he predicted.

INTERNATIONAL NEWS DIGEST

Japan-US car trade optimism

Japanese and US officials yesterday resumed high-level talks on vehicle trade, with both sides expressing optimism that agreement could be reached to increase Japanese imports of cars and car parts. However, there were substantial differences over US demands for deregulating the Japanese market for replacement parts and for "voluntary" plans from Japanese motor vehicle companies for increased buying of original parts.

A third US demand – that Japanese vehicle companies tell Japanese dealers that they are free to sell foreign cars without fear of retribution – seems the easiest to satisfy. However, Tokyo still insists that it will not try to force Japanese companies to buy more foreign car parts. An official yesterday said voluntary plans are "an essential component" of a deal.

The Japanese official said the high yen is forcing Japanese manufacturers to reduce the number of parts used in vehicles and they do not expect to increase their production in Japan. However, he said, increased purchases of US parts are possible "if US parts manufacturers have the ability to produce new combined parts for reasonable prices." *Nancy Dunne, Washington*

Cuba warns on exodus

Cuba has warned the US that any tightening of its 33-year trade embargo on the Caribbean island could risk a new exodus of Cuban refugees towards the US.

The warning came before Cuba-US talks in New York today to review a September 9 immigration accord that ended a Cuban refugee crisis last summer. The head of the Cuban delegation, Mr Ricardo Alarcón, said that moves by anti-communist Republicans in congress to toughen the US embargo could entail renewed attempts by Cubans to emigrate illegally.

Havana argues that the economic impact of Washington's trade embargo against Cuba played a major role in leading to last year's immigration crisis. *Pascal Fletcher, Havana*

Interest rate rise in India

India yesterday lifted the maximum interest rate commercial banks pay, by one percentage point to 12 per cent, in a fresh bid to bring down inflation, now in double digits.

Annual price inflation hit a peak of 11 per cent a few weeks ago and, since then, has been moving in a narrow range, with food grain prices stubbornly high in spite of a new crop. Concerned over the contra-seasonal price surge, the Reserve Bank of India, the central bank, has reversed previous interest rate cuts to slow the expansion in the money supply.

The latest deposit rate rise is part of the credit policy the Reserve Bank announced for the first half of the fiscal year to March 1996. The maximum deposit rate was increased to 11 per cent from 10 per cent three weeks ago. *R C Murthy, Bombay*

Mrs Mandela quits cabinet

Mrs Winnie Mandela resigned yesterday as a deputy minister in the South African government, just hours before her official dismissal by President Nelson Mandela was to take effect.

The estranged wife of the president was first dismissed as deputy minister of arts, culture and science on March 27, was reinstated last Wednesday, and dismissed again on Friday. Mr Mandela, who has refused to give reasons for her dismissal, had said on Friday that her latest sacking would not take effect until today. *Roger Matthews, Johannesburg*

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NEWS: ASIA-PACIFIC

Japanese companies take stock of investment in China

Labour disputes and government policy changes are affecting new commitments, write **Tony Walker** and **Michiyo Nakamoto**

Mr Takeshi Nakayama, president of Toshiba's operations in Dalian, the northern Chinese city, has taken the unusual step of petitioning the local authorities on a range of business grievances that threaten further investment in China by the Japanese consumer products giant.

Such, it seems, is Mr Nakayama's frustration with difficulties in Dalian, which is a focus for Japanese investment, that he was not averse to fairly blunt criticism of the business environment in China being published in the international press.

"The most acute problem is constant changes of government policy," he says in his new $110m (£69m) plant in the Dalian Economic and Technological Development Zone. "Another problem is the increasing threat of labour disputes over pay and living conditions."

In his seven-point criticism, Mr Nakayama lists: an erosion in favourable treatment for foreign investors; steep rises in the costs of business due both to inflation and arbitrary increases in business charges; labour disputes; policies that contradict international business practice, such as retrospective charges for infrastructure facilities in the development zone; an unresponsive legal system for dispute settlement; the rapacious levying of fees and charges by local officials; and inadequate infrastructure facilities.

Toshiba, Mr Nakayama made plain, was delaying a decision on further $115m investment at its Dalian plant where it manufactures electric motors for household appliances and also printed circuit boards. Options include switching some of its planned operations to Vietnam or the Philippines. Mr Nakayama had recently visited the Philippines where he found conditions "very favourable".

While Toshiba's misgivings about expanding further in China at this stage may not be typical of all Japanese companies, there is no doubt the mood among Japanese investors has become more cautious this year. In fact, 1994 foreign investment figures released this month by the Ministry of Foreign Trade and Economic Co-operation revealed the beginning of a slowdown.

Numbers of new projects involving Japanese companies in 1994 were down 36 per cent. Growth last year in contracted investment slowed to 18 per cent from 36 per cent in the previous year. Growth in utilised investment was 30 per cent compared with 93 per cent in 1993.

Japanese bankers confirmed that the mood among clients was hesitant. Mr Kazuyasu Buma, general manager of the Dalian branch of the Industrial Bank of Japan, said that among the concerns of Japanese companies was the problem of "hidden costs" of doing business in China.

Labour costs which included insurance, accommodation, virtually mandatory bonuses and other charges, were much higher than anticipated. Inflation was also darkening the mood among investors. "Japanese companies are pausing for the moment," he says. "For this year at least they want to wait and see."

In Beijing, a Japanese embassy official acknowledged that "Japanese companies had become more cautious". He attributed this both to worries about inflation and to concerns about an apparent change in Beijing's own attitude to foreign investment.

China is about to unveil new foreign investment guidelines that seek to distinguish more clearly between various categories of investment that are to be "encouraged, restrained and prohibited". As part of this review, Beijing had indicated that it will begin to phase out preferential tax treatment for some types of investment. Previously, incentives were offered virtually across-the-board for foreign investment.

While many Japanese companies might be pausing before committing themselves further to China, this does not mean that all are getting cold feet. Ricoh, the office equipment manufacturer, for example, is proceeding with plans for a large facsimile manufacturing facility.

"If you have a short-term perspective you will become very hesitant," says Mr Haruo Kamimoto, executive managing director of Ricoh. "Unless you are very clear about why you are in China you will stumble."

Toyota Motor, which is pressing hard for a joint venture with the Tianjin Automobile Industry Co. to produce saloon cars, says it is taking a similarly long-term view. "We are very optimistic about the liberalisation trend," said a Toyota spokesman in Tokyo. "Phases of uncertainty, even a leadership change, will not affect the move towards market opening."

But in spite of these relatively positive sentiments, there seems no doubt reappraisal of risks and rewards is under way among Japanese business. In Beijing, the representative of a big carmaker said sentiment had cooled. Japanese companies were concerned about a less sympathetic business environment and potential political worries connected with transition to a new generation of leaders "although people back home are more nervous about this than people here".

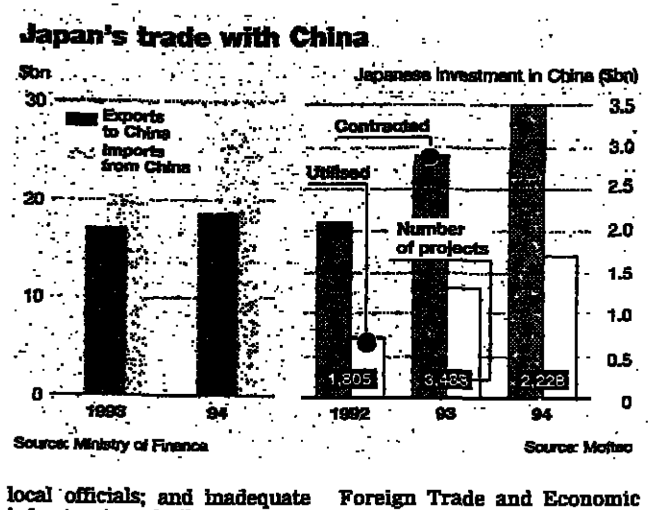
In Dalian, concern about labour unrest and a suspicion among Japanese managers that the local authorities may be turning a blind eye to industrial agitation is casting a shadow. In 1994, Japanese companies were hit by 15 strikes, some called without warning.

Worst afflicted was Mabuchi Motor, the micro-motor manufacturer, whose 6,000 workers stopped work for two days in March 1994. The company granted a 40 to 45 per cent pay increase to resolve a dispute over wages and living conditions. Other Japanese companies in Dalian have been similarly affected.

Mr Nakayama said although Toshiba had not been afflicted by strikes, the threat of sudden labour unrest was a concern. He noted that the local authorities had issued temporary regulations which obliged workers to provide 72 hours' notice before initiating industrial action, but these regulations were not being enforced.

"I think the temporary regulations are ineffective," he observed.

Japan's trade with China



Source: Ministry of Finance — Source: Mofteo

Beijing, Tokyo strike frank note

By William Dawkins in Tokyo

China and Japan have added a franker tone to previously cautious relations, with the visit to Japan of Mr Qiao Shi, the powerful chairman of the Standing Committee of the National People's Congress.

Mr Qiao, seen as a pivotal figure in the post-Deng era, yesterday completed his eight-day visit, during which both sides showed more than usual directness over sensitive issues such as China's huge defence budget, the disputed Spratly islands, and Japan's internal political contortions over the 50th anniversary of the end of the second world war.

His visit was low-key, at the invitation of parliament rather than the government, and as such hardly remarked in the Japanese press. Yet it laid some of the groundwork for Japanese Socialist prime minister Tomiichi Murayama's important first visit to China, from May 2 to 6.

Mr Yohei Kono, the Japanese foreign minister, reminded his visitor of Japan's adherence to the 1972 joint declaration, which established diplomatic ties between China and Japan and recognises Beijing as the only legitimate government in China, a soothing reference to Taiwan.

However, Mr Murayama indicated discreet concern over the Spratly Islands. He asked Mr Qiao for a peaceful solution to the ownership disputes over this group of reefs between China, Vietnam, Taiwan, the Philippines, Malaysia and Brunei. There was no change in China's claim over the Spratlys, said Mr Qiao, who also hoped for a peaceful resolution.

On the question of foreign concern over China's defence spending, Mr Qiao said this was only a small share of the government budget and China hoped to exchange views on security with other countries.

He referred obliquely to a dispute in Japan's ruling three-party coalition over a proposal by Mr Murayama to issue an official apology for Japan's war record, embarrassingly blocked by the right wing of the LDP. Mr Qiao stressed the importance of "correctly acknowledging the past", but added that "China always takes a positive stance on historical issues".

A direct yet cordial stance towards Beijing was first shown by a previous Tokyo government early last year, greeted at the time by Japanese officials as a mark of the maturity of their relationship.

China has been irritated by increased contacts between members of the ruling Liberal Democratic party and Taiwan but does not appear to have allowed this to hinder closer relations with Japan.

Japanese builders fined for collusion

By Michiyo Nakamoto in Tokyo

Japan's Fair Trade Commission has imposed punitive surcharges totalling Y1.86bn (£13.9m) on 373 construction companies in Japan accused of rigging regional construction bids.

The number of companies fined is a record for Japan's FTC. The total amount is the largest it has levied in connection with *dango*, or collusive bid rigging practices, and the third-largest amount for any surcharge by the FTC.

The move highlights the extent bid rigging has been commonplace in Japan, particularly in the construction industry, where many companies – from small operations of just a few people to those with thousands of employees – have shared the benefits of public contracts among themselves.

In cases of *dango*, construction companies involved exchange information through industry groups and jointly determine the successful bidders for a project, as well as the bidding price. Japanese construction companies claim the system enables them to avoid excessive competition and to ensure all members share public works projects.

Japan's designated bidding system, which allows only designated companies to bid for certain public works projects, keeps the market closed and tightly controlled, making the practice of *dango* easier to sustain.

In spite of the problems and the high costs to the public purse of the *dango* system, it has also been appreciated by Japanese bureaucrats, who have recognised that *dango* has saved them the trouble of making their own decisions about successful bids.

In the latest case, the construction companies are accused of colluding to rig bids involving public works contracts in Yamanashi prefecture, north-west of Tokyo. This is the political base of Mr Shin Kanemaru, a former "king-maker" of the Liberal Democratic party, who was arrested two years ago on allegations of tax evasion.

The Japanese authorities, aware of the international criticism surrounding cases of bid rigging, have agreed to introduce practices – such as a more open bidding system – to comply more with international standards.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 18.04.95: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading: Pool selling price £/MWh
0030	8.15	11.14	12.75
0100	8.14	12.00	13.61
0130	8.90	14.63	16.24
0200	8.91	14.63	16.24
0230	8.90	12.00	13.61
0300	8.90	12.00	13.61
0330	8.90	12.00	13.61
0400	8.86	11.45	13.05
0430	8.86	15.79	15.79
0500	8.14	8.78	8.78
0530	8.86	8.16	8.16
0600	8.15	8.16	8.16
0630	8.15	8.16	8.16
0700	8.15	8.16	8.16
0730	8.16	8.16	8.16
0800	8.86	8.14	8.14
0830	8.90	8.17	8.17
0900	8.91	8.19	8.19
0930	9.20	8.79	8.79
1000	9.20	6.03	7.64
1030	14.75	9.89	11.49
1100	14.75	9.89	11.49
1130	14.75	10.76	12.37
1200	15.91	16.04	17.65
1230	15.00	10.76	12.37
1300	15.00	16.04	17.65
1330	15.91	10.76	12.37
1400	15.00	9.89	11.49
1430	9.20	15.79	15.79
1500	9.20	8.77	8.77
1530	8.90	8.77	8.77
1600	8.90	8.77	8.77
1630	8.86	8.77	8.77
1700	8.90	8.77	8.77
1730	8.90	15.79	15.79
1800	8.90	8.79	8.79
1830	9.20	6.03	7.64
1900	9.20	16.87	18.47
1930	9.20	19.28	20.89
2000	15.91	19.28	20.89
2030	25.19	16.87	18.47
2100	25.19	16.04	17.65
2130	25.19	15.00	16.61
2200	25.19	15.00	16.61
2230	15.00	10.76	12.37
2300	9.20	6.03	7.64
2330	9.20	15.79	15.79
2400	8.90	8.79	8.79

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.86/MWh becomes 1.886p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0116 945 6789 between 8:30am and 5:15pm Monday to Friday.
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NEWS: ASIA-PACIFIC

Apec concern at currency instability

By Manuela Saragosa in Bali, Indonesia

Finance ministers from the 18 countries of the Asia Pacific Economic Co-operation forum have urged the International Monetary Fund to study foreign exchange market instability, which they fear could disrupt economic growth in the region.

The Apec finance ministers, meeting on the Indonesian island resort of Bali at the weekend, said member governments would be better placed to stave off currency speculation if they maintained stable economic policies.

US and Japanese officials discussed the strength of the yen, which Mr Masayoshi Takemura, Japan's finance minister, said "does not reflect economic fundamentals". Other Asian governments were concerned at the impact of the yen's strength on their outstanding yen-denominated debt.

Mr Robert Rubin, the US treasury secretary, made clear he was counting on Japan to introduce further measures to strengthen the dollar while the US dealt with its budget deficit.

Mr Takemura indicated that future measures would include a supplementary budget for 1995 and various import promotion measures which should be announced within the next month.

The ministers apparently agreed that longer-term growth depended on "domestic macroeconomic stability".

Mr Takemura noted that in government-to-government contacts some Apec countries had expressed concern about the strong yen's effect on their debt burden. Indonesia, in particular, has about 40 per cent of its debt in yen, while most export earnings are in dollars.

Apec ministers fell short of making specific recommendations on how to deal with the world's turbulent currency markets, but said they were enlisting the IMF to study the impact of exchange rate movements on trade and investment in the Pacific basin region.

The study will be used to make recommendations for the next Apec finance ministers' meeting, tentatively scheduled to take place in Kyoto in March next year.

Ministers were careful not to comment on exchange rate policies of individual member countries – Indonesia's finance minister Mar'ie Muhammad said the meetings did not address which country was to blame for currency volatility.

After Mexico devalued its peso in December last year, several Asian currencies, including the Indonesian rupiah, the Philippines peso, and the Thai baht, came under sharp selling pressure, while share prices tumbled in their markets.

The ministers recommended that the IMF consider ways of improving its economic surveillance of countries and advised that capital markets be made more transparent and regulations tightened.

An inaugural meeting of the informal Apec Financiers' Group also sought greater clarity in Asian financial markets. Some 40 bankers attended the meeting, including executives from Bank of Tokyo, Goldman Sachs International, Thailand's Export-Import Bank, and Indonesia's Lippo Group.

"One item we have recommended to the finance ministers' meeting is the need to streamline rules on financial disclosures, which vary from country to country," one Asian bank representative said.

Philippines minister quits over hanging

By Edward Luce in Manila

Mr Roberto Romulo, the Philippine foreign secretary, yesterday resigned, after President Fidel Ramos accepted his two-week-old offer to quit over the execution of a Filipina maid in Singapore.

Assuming responsibility for the failure of the Philippine government to prevent the hanging of Mrs Flor Contemplacion, convicted of double murder three years ago, Mr Romulo said he would carry the can for the government's perceived mishandling of the incident.

"It is my desire that the country will be able to see the situation from a cooler and more objective perspective," said Mr Romulo at the resignation press conference in the Malacanang presidential palace yesterday. "I hope that the partisan politics surrounding the Maga-Contemplacion case will subside leaving in the hands of the government the decision necessary to place this issue behind us," he said.

Friends of the outgoing foreign minister said President Ramos had accepted Mr Romulo's resignation for electoral reasons. With congressional and local polls soon, Mr Ramos is reportedly alarmed by the electoral damage which could still result from the affair.

Last week the Gancayco Commission, a presidential body set up to examine whether Singapore had given Ms Contemplacion a fair trial, accused the Singapore government of having tortured Ms Contemplacion to extract a false confession.

The Commission also pointed the finger of blame at the Philippine foreign office, demanding the prosecution of nine Philippine officials for criminal negligence, including that of Alicia Ramos, who was suspended as ambassador to Singapore last week.

Opposition politicians have succeeded in making Ms Contemplacion a symbol of the 3m Filipinos who work overseas, often in poor conditions.

Portraying the executed maid as a "national heroine", politicians on the campaign trial repeatedly clamoured for the foreign secretary's dismissal.

Ms Nieves Confessor, labour minister, has also tendered her resignation. President Ramos is still considering the offer.

Romulo: assumed responsiblity for failure to prevent hanging

In Singapore the government has said it is ready to re-open the Flor Contemplacion case if a neutral panel of experts concludes that the Filipina maid was innocent, adds Kieran Cooke in Kuala Lumpur.

Two Singapore pathologists and three experts from the US are due in Manila soon to conduct a joint autopsy with local pathologists on the body of Della Maga, the Filipina maid said to have been murdered by Contemplacion.

Singapore also convicted her of killing a three-year-old Singaporean boy.

Twenty years on from the Killing Fields

The shock remains but Cambodians would prefer to forget the Pol Pot era, writes **Jonathan Miller**

Half the population of Cambodia is too young to remember Pol Pot's Killing Fields. The other half are survivors. Most of them would prefer to forget. That is one reason why yesterday's 20th anniversary of the fall of Phnom Penh to the Khmer Rouge went unmarked. The other was that the Cambodians were too busy celebrating the Buddhist new year to notice.

Those who did live through the 44-month Khmer Rouge regime – simply known as the "Pol Pot time" – are either racked by memories of terrible physical and emotional suffering or burdened with guilt. More than 1m Cambodians died of starvation, disease and overwork. Countless thousands were tortured to death or executed.

Even today it's unwise to question people too closely about what they did during those years. People know each other's secrets. They just don't talk about them.

Many members of today's government belonged to Pol Pot's conquering army 20 years ago, including Hun Sen, the second prime minister; the chairman of the National Assembly; the ministers of interior, justice and finance. In the security forces it's the same story.

"I would prefer to look to the future," says Prince Norodom Ranariddh, first deputy prime minister. "I don't believe we can completely forget the genocidal regime of Mr Pol Pot, but the Cambodian people have shown, through the democratic process, their will to recover from those sufferings."

But the Cambodian nation has been so traumatised by its violent recent past that many observers believe it will take many more years to recover. Mental illness is rife: post-traumatic stress disorder has been diagnosed in large numbers of Cambodian refugees abroad.

No studies have been conducted in Cambodia itself: there is only one qualified Khmer psychiatrist in the whole country. Willem Van de Put is a psychiatric anthropologist, who has worked in Bosnia and Rwanda. In Cambodia, he says, it's the norm to expect the symptoms of trauma.

"You'll find a lot of people with severe depression," he says. "A lot of alcoholism, domestic violence, all kinds of social problems directly related to psychological problems people have in coping with their loss over 20 years."

Cambodia is also still suffering from the social upheaval that resulted from Pol Pot's decision to evacuate the cities and transform the country into a rural workcamp.

Thousands of Cambodians are still looking for their loved ones. The tracing agency run by the International Committee of the Red Cross has put 20,000 Cambodians back in touch with each other over the past five years, but the success rate is now trailing off to about 10 a month.

Analysts have been at a loss to explain what happened under Pol Pot. This, they say, was not Hitler killing Jews; it was not inter-ethnic, inter-tribal or sectarian hatred gone mad. This was Cambodians killing Cambodians. "Even as a Cambodian I do not have a real answer," says Prince Ranariddh.

Neither has Cambodia found an answer to its civil war. Two decades on from Year Zero, the Khmer Rouge is still around and still in the business of killing fellow Cambodians. Today the guerrillas control more than 10 per cent of Cambodian territory and wreak havoc in adjacent areas.

But Prince Ranariddh says Pol Pot's army is a dying force, reduced to banditry, its ideology gone: "What happened 20 years ago cannot happen again. The Khmer Rouge of 1995 are very isolated, morally, politically, from within Cambodia. The Khmer Rouge are not any more a threat to the Cambodian people."

Many analysts agree that the movement does appear to have been significantly weakened in recent months – economically, politically, and militarily. But the civil war continues to drain government resources.

"The more money they spend on defence," says the director of one foreign aid agency, "the less there is to invest in rural development, which is where it is needed most. Even top military commanders concede that raising the living standards of rural peasants is the key to ending the war.

Much to everyone's relief, the Khmer Rouge also failed to mark yesterday's anniversary. An anticipated surge in rebel activity did not materialise. No grenades were lobbed on to the terraces of the five-star Cambodiana Hotel, where tourists and business people were sunning themselves, waiting out the end of the new year celebrations.

The government claims the inflow of investors' dollars and millions more in aid money is evidence that the world is forgetting about Pol Pot and voting for a new, prosperous Cambodia.

One day, however, the foreign aid on which Cambodia relies will begin to dry up, a fact recognised by the government. Some fear what might happen to Cambodia if it is left to cope on its own.

Craig Etcheson is the manager of the Cambodia Genocide Commission, co-ordinated by Yale University and funded by the US state department. He believes a number of scenarios would allow history to repeat itself. "Perhaps the most likely one is that the government would fail to consolidate its power, fail to achieve significant economic progress where the majority of Cambodians live – in the countryside – and fail to defend human rights," he says.

"Over the course of several years or more, if these problems were not resolved, it is possible that the Khmer Rouge would begin to be seen again as an attractive alternative." Cambodians prefer not to discuss such ideas.

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Abbey plans relaunch of bank account

By Alison Smith

Abbey National, the home loans and banking group, is to relaunch its current account as part of a drive to boost its income outside its traditional base.

The move, due next month, will see the replacement of the two personal accounts that Abbey offers – the current account and the high interest cheque account – with a single current account.

A credit card will be introduced later in the year, as will a 24-hour telephone banking operation to complement the branch service.

At present Abbey has 1.5m current accounts, but only about one-third of these are the primary accounts into which salaries are paid.

While the move will be an important element in Abbey's ability to achieve its target of getting 40 per cent of its earnings from non-traditional sources by 1997, the bank is also developing other operations.

It expects soon to have permission from the Bank of England to distribute its own cash instead of buying it from third parties, and is building a "cash centre" in Essex to deal with this operation. This is expected to become operational in the first half of next year.

Abbey, the fourth largest UK high street bank, also aims to develop its financial services business, partly through building on the acquisition in February of Pegasus, a healthcare company, by Scottish Mutual, the bank's subsidiary which sells financial services through independent advisers.

The intention is that the Pegasus expertise should be used not only in devising policies to be sold through independent advisers, but also in developing healthcare products which can be sold from next year through Abbey National branches.

Mr Peter Birch, Abbey chief executive, said that the purchase of Pegasus came as the bank identified products such as critical illness policies as a fast-growing market. "Pegasus will gain us two years in developing Abbey National healthcare," he said.

The plans by Halifax, the UK's largest mortgage lender, to merge with Leeds Permanent this spring and subsequently to convert to a bank have focused attention on the use Abbey has made of its time since 1989 when it became the first society to float.

Virtually all of its profits came from traditional activities, but by last year, the organisation's treasury and life insurance operations contributed almost one-quarter of the £932m pre-tax profits.

Even so, Abbey has had a poor record of selling a range of products to each of its 10m customers. It is developing a better system of assessing its relationship with customers, which should enable it to target specific products at the parts of its customer base most likely to be receptive.

Verdict closer on mis-sold pensions

By Alison Smith

The views of City regulators on disciplining life insurance companies and independent financial advisers which gave poor personal pensions advice should soon be known.

A joint statement on discipline, which could be published this month, is expected to highlight the priority that regulators attach to ensuring that investors who have suffered from poor advice are properly compensated.

It is likely to say that the co-operation of a life company, bank or independent adviser in providing compensation will be an important factor in deciding whether any disciplinary action should be taken.

But although the statement has been agreed by two regulators which had previously differed on their approach to discipline, its wording is broad enough to allow different approaches to be taken.

The scope for flexibility lies in the statement's general reference to assessing whether a company's arrangements for complying with regulation were adequate.

Imro, the self-regulating organisation for the fund management industry, has been seen as taking a tougher stance on the issue than the Personal Investment Authority, the main watchdog to protect the private investor.

Only about 20 of the companies regulated by Imro were heavily involved in personal pensions business, and the regulator is keen to maintain a consistent disciplinary policy across all the areas it covers.

By contrast, a large majority of PIA member companies sold personal pensions. A pilot study suggested that there was a widespread failure to meet regulators' requirements in selling personal pensions to people transferring or opting out of an occupational scheme. But the PIA is thought to want to focus on the most serious cases.

The PIA will monitor the way in which all retail financial services companies – including those formerly regulated by Imro – are approaching the task of providing redress. It will share information which might be relevant to disciplinary proceedings.

Even though the joint statement should calm some of the criticism of the existing two-tier regulatory system in which responsibilities are divided, it is unlikely to silence it altogether.

Imro is much further ahead than the PIA in investigating the personal pensions business of some of its members, and some of those companies it used to regulate believe that this timing is itself unfair.

The PIA is also likely to publish the first part of detailed guidance about the pensions review process, which will deal with identifying potential victims.

Aluminium price rises force beverage producers to reconsider their packaging

Soft drinks industry warms to steel cans

British Steel Tinplate says its development centre in south Wales has helped improve steel's image

By Andrew Baxter

A big rise in the price of canstock, the aluminium used to make beverage cans, is prompting soft drinks producers to consider switching back to tinplate, the steel used in canmaking.

Producers of tinplate, dominated in the UK by British Steel Tinplate, hope the divergence in price between their product and canstock might persuade the drinks industry to revert to steel or increase their use of it.

Tinplate – 99.75 per cent steel – dominates the market for food cans. But only about 20 per cent of the 8.2bn soft drink and beer cans used in the UK last year were made of steel, and most of those had aluminium ends.

Canstock prices have risen about 20 per cent this year, compared with between 6 per cent and 8 per cent for tinplate. Some tinplate producers kept price rises relatively low to avoid conceding further market share.

The battle between producers of the two metals is one of the most contentious in the packaging industry. Issues such as recycling, appearance, weight and durability are the ingredients of a propaganda war, but cost remains the overriding factor in soft drink producers' decisions on what materials to use.

Steel and aluminium producers are waiting for a decision by Coca-Cola & Schweppes Beverages, the UK's largest soft drinks bottling and canning company, on a possible switch back to steel. Two years ago, it moved to 100 per cent use of aluminium.

Coca-Cola said last week that the company's decision then had been taken for purely commercial reasons, and it reserved the right to revert to steel. The situation was under review but no decision had yet been taken.

Mr John May, British Steel Tinplate's marketing manager, said the "huge" price rises in aluminium were the "primary stimulant" for soft drink producers to consider reverting to steel.

However he said steel's other advantages were also becoming a factor, adding that innovations such as British Steel's "Ultimate Can" programme – which had reduced the weight of the average 33cl can body by 30 per cent over the past three years – were beginning to bear fruit.

Mr Nick Mason, of the CRU metals consultancy, warned that switching materials was a "tricky decision" for can users. He said: "To make the switch worthwhile, they would need to be confident that the divergence in price will persist for a couple of years."

Predicting canstock prices could also be difficult because of price volatility in aluminium, and the seasonality of the soft drinks market added logistical complications. Mr Mason believes a significant switch to steel is unlikely before the end of the year.

Technically, a decision to switch would be much easier for canfillers than the canmakers which supply them. But both canmaking and handling machinery would have to be out of use for adjustments, which would have implications for canmakers and their customers.

The important decisions, however, are taken not by the canmakers but by the drinks industry, which is where the steel and aluminium producers concentrate their marketing.

Hoechst in fight over tax levy

By Simon London

Hoechst, the German chemicals group, has challenged the right of the UK authorities to levy advance corporation tax on dividends paid by its British subsidiary.

If its claim is successful, other European Union companies – especially German ones – could demand repayment of ACT running into hundreds of millions of pounds.

Hoechst claims that UK legislation which governs payment of ACT breaches both EU law and bilateral tax agreements with Germany.

The 1988 Income & Corporation Taxes Act exempts from ACT dividends paid between UK companies which are part of the same group. However ACT is levied on dividends paid to overseas parent companies.

The German company argues that this breaches EU laws designed to prevent discrimination on the grounds of nationality. It also says the legislation falls foul of the double-tax treaty between the UK and Germany.

Hoechst said yesterday: "Our basic argument is that had we been a UK company, payments of ACT would not have been made."

Tax experts said the case could be the most serious challenge by an overseas company to the system of advance corporation tax since Union Texas, the US oil company, lost a High Court claim for repayment of £23m ACT in 1988.

The Union Texas case, which turned on interpretation of the UK-US double-tax treaty, could have opened the way to claims from other US companies amounting to £1bn.

Tax treaties with most of the UK's big trading partners, now include provisions for partial repayment of ACT to overseas parent companies.

However, the agreement with Germany dates back to 1964, almost a decade before ACT was introduced.

CONTRACTS & TENDERS

Firm's admission may renew fears that cash could be diverted towards IRA 'armed struggle'

US auditor admits limits on Sinn Féin

By Jimmy Burns in London

A leading accountancy firm which is auditing Sinn Féin's fund-raising efforts in the US has admitted that it will be unable to monitor the ultimate destination of the money if it is sent to another country. Sinn Féin is the political wing of the Irish Republican Army.

Mr Richard Eisler, a managing partner of the New York firm Richard Eisler & Co, said last week: "Our assignment covers the receipt of funds and their disbursement in the US. In practical terms we have no control over the money if it goes outside the US."

The admission may renew concern about the possibility of funds raised by Sinn Féin in the US being diverted to the IRA.

It has emerged that the New York accountancy firm signed an initial $15,000 contract with Sinn Féin last month. Earlier Price Waterhouse denied reports that it had taken on the account in spite of holding talks with representatives of Sinn Féin.

During his recent visit to the US Mr John Major, the British prime minister, sought reassurances from the US administration that Sinn Féin's fund-raising activities would be monitored carefully.

The appointment of one of the top six New York accountancy firms to monitor Friends of Sinn Féin – the latest organisation to be set up in the US on behalf of Ireland's republican movement – is thought to have been one of the conditions insisted on by the US administration before it relaxed its restrictions on fund raising.

The other conditions include preventing the money being used in support of terrorist activities and that fundraising groups should register with the US Department of Justice, which Sinn Féin agreed to.

Mr Eisler described his firm's contract as "an unusual situation" because of Sinn Féin's links with the IRA. However, he said he believed he was serving US foreign policy by agreeing to monitor the account.

Mr Eisler said: "Obviously if I knew that the money was going to be used in any illegal way I wouldn't want to be part of this exercise. Nothing has been brought to my attention which suggests that the money will be used in an illegal way."

Mr Richard Harvey, a lawyer representing Friends of Sinn Féin in New York, said funds raised in the US would be used to open and run new offices and in organising an effective lobby. He said that if any funds left the US they would be audited by accountants working for Sinn Féin in Dublin.

Friends of Sinn Féin denies that it is a vehicle through which the IRA can raise funds.

Mr Harvey said Friends of Sinn Féin had raised more than $70,000 as a result of the recent visit to the US of Mr Gerry Adams, the Sinn Féin president.

The supporters' group is planning a lecture tour of US universities by Mr Adams in the autumn to boost funds. Mr Harvey estimated that Mr Adams could expect to be paid at least $10,000 a lecture.

The IRS has yet to consider a request by Friends of Sinn Féin that as a non-profit organisation its funds should not be taxed.

Mr Gerry Adams, president of Sinn Féin, claimed on Sunday that Britain was seeking a victory in Northern Ireland by subverting the peace process. He was speaking at a ceremony in Dublin, capital of the Republic of Ireland, to mark the 79th anniversary of the Easter Rising against British rule. Mr Adams stepped up his attack on "Britain's refusal to accept the rights of Sinn Féin voters". Sinn Féin is the political wing of the Irish Republican Army.

Mr Adams said that more than half a year after the IRA's ceasefire declaration "the British Government refuses to accord Sinn Féin the same rights, the same equality and respect which all other parties, including the loyalist [anti-nationalist] groups which have no electoral mandate, now enjoy".

He told about 1,000 supporters at the republican plot in Dublin's Glasnevin cemetery: "If the British refuse to listen to reasoned and reasonable argument, then let them listen to the sound of marching feet and angry voices. For 25 years, the British failed to defeat the republican struggle. They are now seeking a victory by subverting the peace process."

● Two men and a woman were being questioned by police in Northern Ireland yesterday after police seized nearly 40 loyalist paramilitary guns at a house near Belfast, capital city of the British province. One man had been trailed from his home in northern England. Several British newspapers said yesterday that the man was understood to hold a senior post at a Royal Ordnance munitions factory in England. Up to 40 rifles, revolvers, and machineguns, some home-made, others dating back to World War One, and a few smuggled from England where they had been deactivated, were discovered under floorboards and in the attic of a house in Northern Ireland, said police.

Catamaran passengers injured in sea rescue

By Simon Kuper in London

Seventeen people, mainly from Germany, were injured yesterday when 307 passengers had to be rescued from a high-speed catamaran which was holed 2km off Jersey, the largest of the Channel Islands between England and France.

The passengers, half of them German, had to abandon the French catamaran Saint Malo about 15 minutes after she sailed from Jersey for the nearby island of Sark.

More than 100 of the 307 passengers had to take to liferafts in waves up to more than 1m high before being taken aboard other vessels.

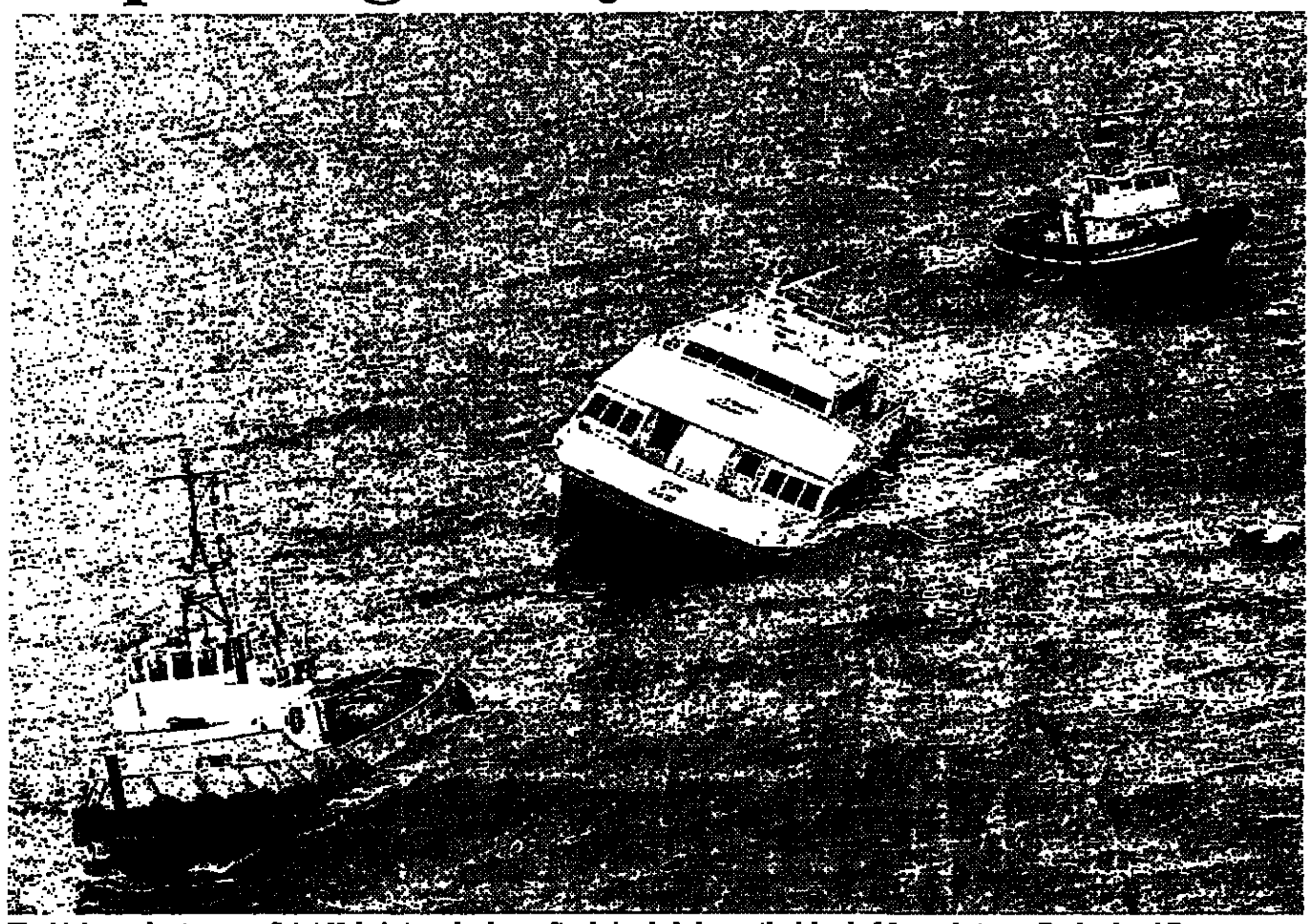
The rescue operation took about an hour with most of the passengers stepping from the Saint Malo to another ferry with drew up alongside. Six of the injured were treated for broken limbs in hospital in St Helier, the Jersey capital.

The ferry's captain sent out a mayday distress signal and ordered the ship to be abandoned after she began to take in water in the portside hull.

Jersey Harbour office spokesman Mr Paul Mimmack said the rescue was orderly and not as hazardous as it might sound.

"Most managed to transfer without getting wet . . . It's not such a difficult operation. The catamaran has a low freeboard so the sea is only about two to three feet lower than the passenger decks," he said.

The Saint Malo was later towed on to a beach, but it was not immediately clear what had caused the damage. Some reports said the ferry had hit a rock, others said it might have hit one of the floating logs reported at sea in recent days.



The high-speed catamaran Saint Malo is towed ashore after being holed near the island of Jersey between England and France

The Saint Malo is owned by the French company Channiland and sails regularly between the Channel Islands and the French port of St Malo.

Mr Michael Meacher, the British Labour party's shadow transport secretary, yesterday said he planned to raise in the House of Commons the question of whether operating procedures for large high-speed catamarans, a ship type which has been in use for only a few years, should be tightened.

He said yesterday: "Catamarans are faster than ferries, and there have been accidents elsewhere in the world. If you're going at that speed – 30 knots – it's potentially dangerous.".

Stena Sealink is soon to introduce large SeaCats catamarans on the Irish Sea.

Elsewhere, travel conditions wee generally said to be quiet as travellers returned after the Easter weekend.

Airports reported "normal" traffic, as many of those who left at the end of last week had gone on one or two week holidays in the sun or on the ski slopes. An official at Gatwick Airport, London's second-largest airport, said: "It's a total myth that Easter Monday is a traffic nightmare. Next weekend is our busiest for arriving traffic."

Channel Tunnel trains were no busier than on normal working days, said European Passenger Services, the operator, adding that this meant trains were virtually full.

Spending power of children is reduced

By Diane Summers
Marketing Correspondent

Children suffered a 3 per cent drop in their average weekly incomes over the past year, leaving them with an average weekly total income of £4.18 ($6.68) in pocket money, handouts from relatives and earnings from small jobs.

Girls' incomes have outstripped boys' for the first time in five years, while Scottish children, with an average weekly income of £4.84, are the most affluent in the UK, according to the Wall's Ice Cream annual pocket money survey, published today.

The main reason for the overall drop in incomes is the significant decrease in children's earnings from small jobs. The Wall's report finds "children are either getting paid less or finding it more difficult to get odd jobs to boost their spending money, with earnings from Saturday jobs, paper rounds etc falling dramatically this year by 22 per cent". The decrease is the largest since the survey began 21 years ago.

Boys earn an average of 95p a week from small jobs, compared with 81p by girls, but girls get larger handouts from friends and relations – £1.35 a week, while boys get just 96p. Boys are slightly ahead on pocket money, receiving £2.06, compared with girls' £2.05. Average pocket money has remained frozen at last year's levels.

When all three main sources of money are taken into account, plus small and irregular sums from elsewhere, girls get a total of £4.28 a week, up 5 per cent on last year. Boys get a total of £4.08, which is 10 per cent less than a year ago.

Children in Wales and the west of England, who receive an average of £3.25 from all sources, are the least well off; the north-west saw the largest decrease in income over the year, a 26 per cent drop from £5.54 to £4.09.

On pocket money alone, Wall's calculates that today's children are better off than children 20 years ago. This year's average weekly pocket money of £2.05 is 16 per cent higher, once inflation has been taken into account, than the 33p children received in 1975.

Children today are three times more likely than their parents were to save money, says Wall's, with 13 per cent of children now saying they save some of their money, compared with 4 per cent in 1975.

Minister looks to parents for support against disruption of their children's lessons

Teachers' unions will vote today on strike

By John Authers
in Blackpool

Trade unions representing teachers will vote today on whether to hold a national strike over funding as Mrs Gillian Shephard, education secretary in the Conservative government, makes a final attempt to dissuade them from taking action.

The National Union of Teachers will vote on a national strike, while the smaller National Association of Schoolmasters/Union of Women Teachers will be advised to refuse to teach large classes above an unspecified number, leaving any extra children untaught.

Mrs Shephard, who has made a series of speeches attempting to mollify the unions, yesterday took a more aggressive stance and appealed to parents for support. She said: "Whether it's the national action the NUT are apparently contemplating, or whether it's the disruption of classes, the general public would certainly be alienated."

She added: "The general public see teaching as a well paid and a pleasant job. Teachers risk getting themselves criticised as non-professionals if they go down this road of disrupting children's education." She addresses the NAS/UWT for the first today, becoming the first Conservative education secretary for almost a decade to address a union affiliated to the Trades Union Congress. Union leaders believe they have lost public sympathy after Saturday's events at the NUT conference where left-wing delegates mobbed Mr David Blunkett, the opposition Labour party's shadow education secretary. Mr Blunkett is blind.

Mr Doug McAvoy, the NUT general secretary who opposes strike action by his union, said the televised scenes were "a tremendous setback" for the NUT. He said parents must have watched the television coverage with disbelief.

The NASUWT executive decided to recommend that members should boycott "excessive" class sizes. They will not refuse to teach, but will exclude children on a rotating basis to keep class sizes at a manageable level.

Mr Nigel de Gruchy, NAS/UWT general secretary, said the action would attempt to pinpoint the areas with the greatest funding shortages. He said: "We are not going on strike. We've got a chance of carrying parents on this kind of approach." He said the NUT conference had "degenerated into an awful irrelevance."

The three teachers' unions of England and Wales are each taking a different strategy as they plan industrial action this summer. The strategies reflect widely differing cultures and traditions, John Authers writes.

The National Union of Teachers is the largest and traditionally the most leftwing. The union is affiliated to the Labour party, which has made it a target for entryism by far-left organisations such as Militant and the Socialist Workers party.

The National Association of Schoolmasters/Union of Women Teachers, the second-largest, is affiliated to the TUC, but not to Labour. It was formed as a breakaway from the NUT in opposition to its policy of equal pay for women.

The third union, the Association of Teachers and Lecturers, is traditionally very moderate, and has only ever struck once – for one day in 1978. It is not affiliated to the TUC. Its membership appears to have shifted to the left in recent years, in part thanks to recruitment from the other unions in response to the failure of their industrial action of the 1980s.

UK NEWS DIGEST

Police issue warning to calf trade protestors

Police warned that they will take a tough line with demonstrators protesting against live animal exports today when the first shipment of sheep and veal calves since Easter is due to be loaded at the port of Brightlingsea in eastern England. Police said they would enforce the 1986 Public Order Act, which carries the threat of prison sentences, because the cost of policing the demonstrations was leaving the rest of the county of Essex short of cover. The protest group Brightlingsea Against Live Exports – which is disbanding to prevent leaders being targeted by police – said the protests would continue.

Mr Geoffrey Markham, assistant chief constable of Essex, told Brightlingsea residents that non-availability of police resources elsewhere "can be placed directly at the door of demonstrations in Brightlingsea". He added: "Without obstruction of the highway, significant police resources would not be deployed in your town on a daily basis." *PA News*

Growth predicted for N Wales

The north Wales and Cheshire area may be heading for a period of strong growth, say economists at Liverpool University led by Professor Patrick Minford. Local gross domestic product is forecast to grow between 3.2 per cent and 4.1 per cent annually in Cheshire and the neighbouring Welsh coastal counties of Clwyd and Gwynedd over the next three years. The latest work of the Liverpool Research Group in Macroeconomics predicts unemployment rates of 3.8 per cent in Cheshire and 4.4 per cent in Clwyd in 1998. The rate in Gwynedd is put at 6.2 per cent – down from 11.9 per cent now.
Ian Hamilton Fazey, Northern Correspondent

Candidate rise for Labour

The opposition Labour party will field a record 1,599 more candidates than the governing Conservatives in the May elections in municipal authorities, increasing the prospect of a crushing defeat for the Conservatives that would further inflame concern among backbench MPs about the leadership of Mr John Major. Labour officials said yesterday that 9,445 Labour candidates had registered by last week's deadline for nominations for the polls in England and Wales compared with 7,846 Conservatives and 7,249 for the centrist Liberal Democrat party.

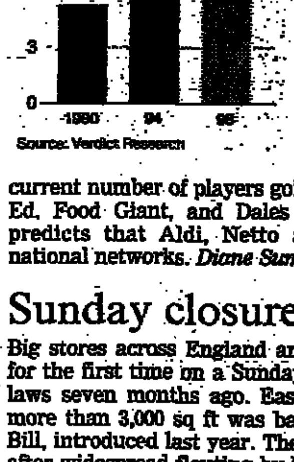
The figures reflect a dramatic turnround in Conservative morale since the last elections in 1991, when 8,641 Tories stood compared with 8,602 Labour candidates and 5,940 Liberal Democrats. One reason for the reduction in the Conservative total appears to be an increase in the number of independents, notably in eastern and western England. Labour officials said that many of them had formerly been elected as Conservatives.

● The government's problems look set to multiply today as nine Conservative Euro-rebels meet to decide whether to oppose the introduction of a limited range of identity cards, expected to be proposed in this week. Some of the rebels believe that ID cards represent a step towards abolition of internal European Union frontiers in spite of assurances from Mr Michael Howard, the home secretary, that the government will maintain border controls. At the moment British citizens are not required to carry identification in their own country. Passports are required only by people who travel out of the UK. *Kevin Brown, Political Correspondent*

Food price war intensifies

Food discounters

% of total grocery sales



Source: Verdict Research

Supermarket food prices will continue to fall because of pressure from discounters such as Kwik Save and Lo-Cost, retail analysts Verdict forecast in a report published today. Discount food retailers increased their floorspace by 20 per cent last year, following similar growth the year before. From about 5 per cent of the food market in 1990, discounters are set to take a market share of 14 per cent by 1998, Verdict forecasts. Growing competition in the discount sector itself means there are likely to be casualties and further rationalisation. Verdict says: "The market cannot support the current number of players going forward." It sees Co-op stores, Ed, Food Giant, and Dales as particularly vulnerable, but predicts that Aldi, Netto and Lidl will establish strong national networks. *Diane Summers, Marketing Correspondent*

Sunday closures ordered

Big stores across England and Wales were closed on Sunday for the first time on a Sunday after the liberalising of trading laws seven months ago. Easter Sunday trading by stores of more than 3,000 sq ft was banned under the Sunday Trading Bill, introduced last year. The bill allowed trading on Sundays after widespread flouting by big stores of a long-standing ban.

Motor accessories chain Halfords opened its doors to customers but other big superstores, including giants B&Q and Texas, and supermarket chain Asda were shut. It was Sunday business as usual, however, for shops in Scotland and Ireland.

Burglar and pursuer stranded

A policeman and his tracker dog had to be rescued by a Royal Air Force helicopter when they became stranded after chasing a burglar into the middle of a marsh. The burglar, who had run off after being disturbed by a householder, also had to be winched from the marsh near Camborne in south-west England. Unarmed police dog handler Kevin Quick had tracked the man across marshland and found his hiding place on a reed raft in the middle of the swamp. The officer, up to his chest in mud and water, managed to handcuff the man, said a police spokesman. But he radioed for help when the man became "very unco-operative". *PA News*

هكذا من الأصل

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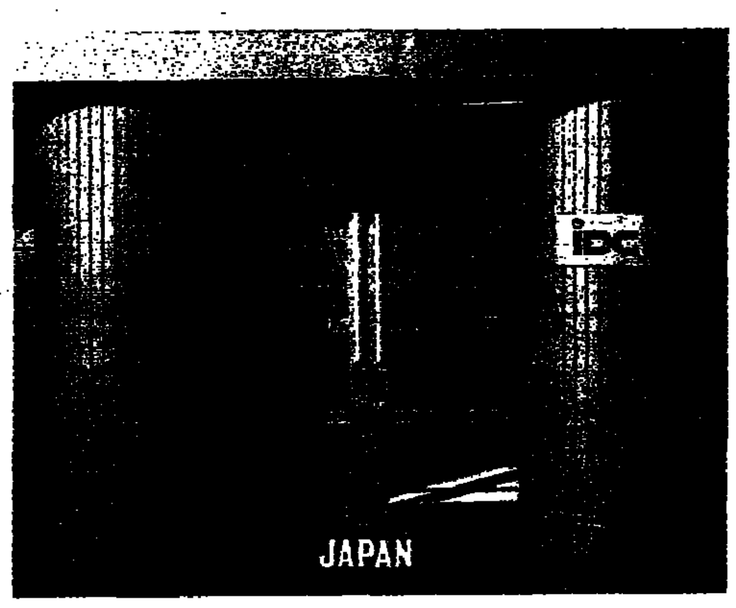
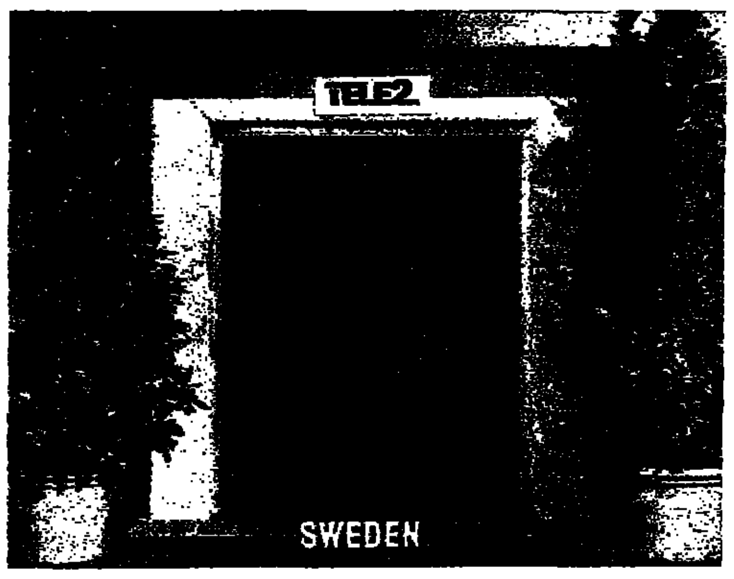


JAPAN



SWEDEN

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Farmers use cheap land in Poland

By James Harding

British farmers are setting up business in Poland to exploit cheap local production costs and the growing demand from western food processors in central Europe for agricultural produce.

The first British farmers in Poland are being driven by the constraints of high UK land prices, the promise of high returns on agricultural investments in central Europe and the prospect of capital gains on land after Poland joins the European Union, probably next century.

Since last summer, UK farmers have undertaken to cultivate more than 2,000 hectares of fertile land for potatoes, sugarbeet and wheat, joining a handful of growers from Denmark and the Netherlands already established in Poland.

The first British farm with a contract to produce for western food manufacturers in Poland was established just south of Gdansk last year by Mr Simon Laird and his brother Mark.

One of the brothers is based in Poland while the other stays at the other farm they run in Angus, Scotland. This month they agreed to buy the adjacent farm in Poland as part of a joint venture with a Polish investor, extending their holding to 1,000 hectares and marking the first British purchase of land for agricultural use.

Under Polish law, foreigners cannot buy farmland outright, but may invest as part of a joint venture – the first British-run farms are on land leased with an option to buy.

Mr Simon Laird said: "Farmers tend to be pretty unadventurous, but without real expansion opportunities in the UK, we believe we can compete with the best farming in Europe for a fraction of the cost."

Last month, a delegation of British farmers visited Poland to examine opportunities to invest in local agriculture. Mr Tony Parr, a Suffolk potato producer, is to start farming 1,200 hectares of leased land in Poland's fertile coastal region in the north this summer.

The arithmetic of the Laird investment explains the appeal of farming in Poland. They estimate that the price of land in Poland is 15 per cent of its equivalent in Britain. Labour costs are lower and fertiliser and seed is marginally cheaper, making overall production costs about 60 per cent of what they would be in the UK.

The brothers estimate a rate of return of around 30 per cent on an investment of nearly £500,000. If the future gain on land value is added in, assuming Poland joins the EU, that return could be nearer 40 per cent.

Mr Laird said: "There are two elements to the investment – the pure farming business, which on the best land can produce even better yields than the UK, and, in parallel, the gain on land as Poland moves towards the EU."

Poland's market for agricultural produce is volatile, because there are few support prices, so the key to UK farmers' investment has been contracts for produce.

The Lairds have contracts with Pepsico, which makes crisps in Poland, for 4,000 tonnes of potatoes, and with Sugarpol, a joint venture with British Sugar, for 6,000 tonnes of sugarbeet. These are both at prices understood to be marginally below the EU spot rate, but well above the local level.

Introducing western farm technologies is also expected to drive profits. Mr Ian Johnson, an agricultural consultant and investor in the Parr farm, predicts its output will be 150 per cent ahead of its neighbours.

Rich mix to turn city planning on its head

Old-style policies are under fire in a fight to revitalise urban centres

The government's campaign to halt the decline of Britain's town and city centres threatens to turn 50 years of planning policy on its head.

Mr John Gummer, the environment secretary, recently said he wanted to "re-establish mixed use development" as a way of revitalising urban centres.

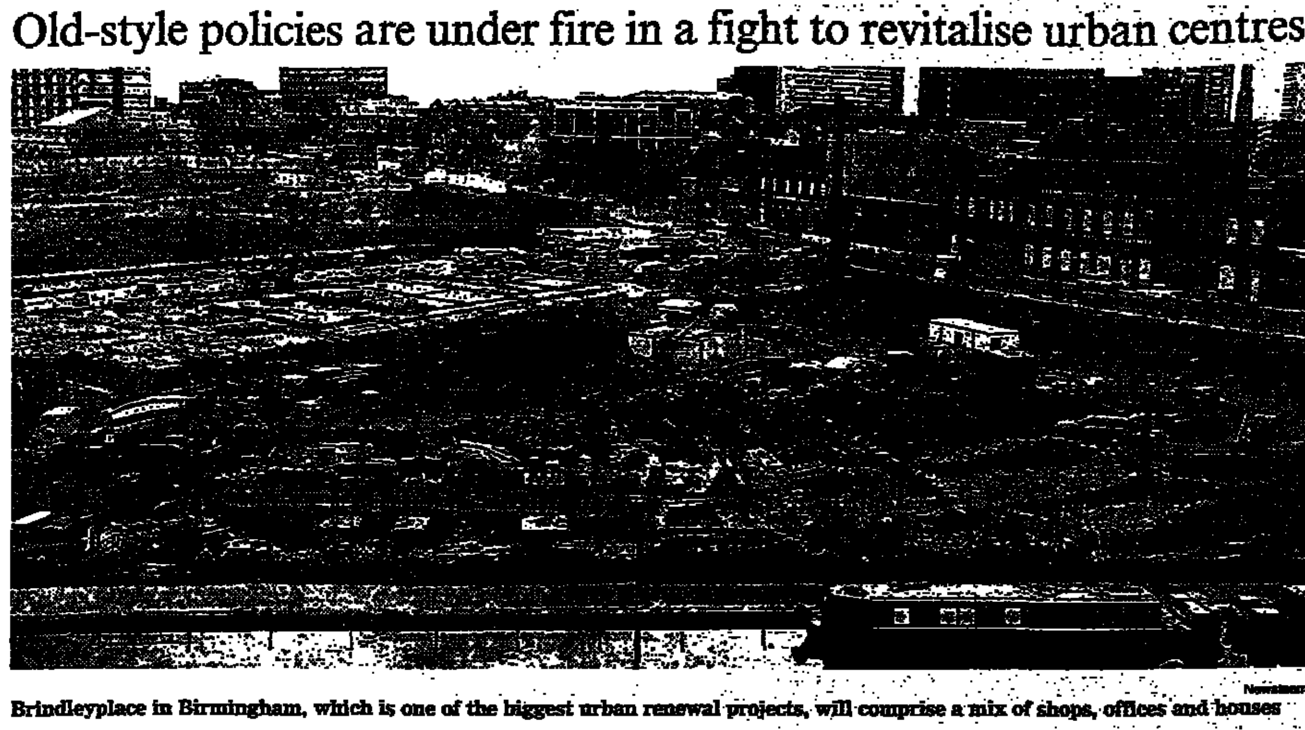
Since the second world war, planning authorities have generally tried to discourage mixed use development. Plans drawn up by local authorities have designated areas for particular uses. These zones provide a framework for economic development.

Mr William Walton, a lecturer in planning at Aberdeen University, said: "Segregation of different types of land use is at the heart of planning."

The drawback with zoning is that towns and cities have lost diversity. Modern town centres based on retail buildings often compare poorly with medieval market towns which owe their character to a mix of shops, craft and residential premises.

In particular, zoning has left modern town centres vulnerable to out-of-town shopping developments because there is no urban population to support local traders.

Mr Gummer is already discouraging out-of-town shopping centres through planning guidance issued to local authorities. His emphasis on



Newsteam

Brindleyplace in Birmingham, which is one of the biggest urban renewal projects, will comprise a mix of shops, offices and houses

mixed use development is a recognition that this is not enough to reverse urban decline.

Opinion is moving in favour of mixed use development. In 1987, the government relaxed its list of use classes, which are used by local authorities as the foundation for zoning. This was to allow offices, light industrial and research premises to be located together and encouraged the development of modern business parks.

Councils such as Glasgow have promoted diversity within the city centre by demanding a high proportion of residential development. Brindleyplace in Birmingham, one of the UK's biggest urban regeneration projects, includes offices, retail and housing.

Specialists such as Mr Mike Appleton, development director of English Partnerships, an urban regeneration agency, would welcome the chance to have more mixed use developments. "Adding high value office or retail units can pay for decontamination of a site or infrastructure improvements which benefit a whole area," he said

As current planning guidelines do not actually prevent mixed use development where local councils are receptive to the idea, the biggest hurdles are probably financial.

Investment institutions would rather own an office block or a shopping centre than a mixed site, so raising private-sector finance for mixed use can be difficult.

Unlike countries such as France, it is unusual for a pension fund or life insurance company to own residential property. Fund managers often view rented accommodation as difficult to manage and subject to government intervention.

Argent, the property company which is developing Brindleyplace, overcame the problem by zoning the large 17-acre site. But few sites are big enough to allow this approach.

The Urban Villages Forum is trying to encourage mixed-use developments in their purest form – compact communities where people can live and work.

It has urged Mr Gummer to designate certain areas specifically for urban village development, arguing that such a move would depress land values and make it attractive for developers to build high quality mixed use schemes.

Planning specialists think it is unlikely that Mr Gummer will make such a radical move, though many would like to see zoning relaxed.

Mr Alan Cave, president of the planning division of the Royal Institution for Chartered Surveyors, said: "Many new high technology industries can co-exist much more easily with other land uses than older declining heavy industries."

Simon London

Gas regulator turns up heat on rules debate

Watchdogs are angry over the latest twist in the argument on their powers

She may have upset her fellow watchdogs by doing so, but the attempt by Ms Clare Spottiswoode, the gas industry's regulator, to provoke wider discussion of regulatory reform addresses many important issues.

The long-simmering debate over the powers of the regulators of the UK's privatised industries – mainly electricity, gas, water and telecommunications – is reaching a new pitch.

Much of this is due to the fury caused by last month's decision by Professor Stephen Littlechild, the electricity regulator, to reopen his price review just as the government was completing the £4bn sale of its remaining stake in PowerGen and National Power, the electricity generating companies.

The ensuing fall in electricity share prices highlighted the huge power of the regulators, and their ability to cause controversy.

The central question is whether regulators have too much power, and exercise it in too personal a way, with inadequate disclosure and accountability.

The present set-up was designed to create powerful independent regulators insulated from political pressure. But there are increasing calls for curbs. Last year, Mr John Baker, chairman of National Power, suggested that a five-member tribunal would be more democratic. Other commentators have called for a single, unified regulator.

Ms Spottiswoode believes the main problem lies in the discretion given to the regulator, and the difficulty of reaching fair decisions in issues which are usually complex and highly technical. She also feels that the terms of accountability are too fuzzy – to whom does the regulator answer?

The ideas she is airing would address these problems in several ways.

First, they would create more balance in the appeals procedure. At the moment, only a regulated company has the right to appeal against a regulator's decision to the Monopolies and Mergers Commission. She has questioned whether this right should be extended to the government.

The objection to this – which Ms Spottiswoode's colleagues have been quick to seize on – is that it would open the door to political interference. However the proposal is not to allow the government to override the regulator, only to refer a decision to an independent arbiter.

To help them make the right decisions, Ms Spottiswoode is suggesting that regulators should set up their own panels of advisers. There is nothing very startling in this idea: regulators can already seek advice from whoever they choose.

But a more formalised system would enable people to see what was going into regulatory decisions, many of which have to be based on commercially confidential information which would never be made public in any case.

The third idea – that a committee of the House of Commons could play a more active role in overseeing the regulators – is not very novel either: committees in both houses of parliament already call the regulators to account. But the process is haphazard and so far their hearings have not led to stronger accountability.

Not surprisingly, perhaps, the ideas emanating from Ms Spottiswoode do not include a reshaping of the regulatory process such as the suggestions of a tribunal or unified regulator.

But perhaps the most striking point about Ms Spottiswoode's activity is that a regulator should be trying to promote discussion about regulation. Her colleagues fear she is treading on dangerous ground, particularly in advertising the idea that government should be able to appeal against regulatory decisions. They believe regulators should leave debate about regulation to parliament.

Ms Spottiswoode feels the regulators have a part to play in the debate, and if they do not speak up, the government will take action without considering their views. That could be bad for regulation, and for the consumers whom the watchdogs have to protect.

David Lascelles

■ Activists try to parachute into weapons factory ■ Greenpeace claim on plutonium is rejected

Protestors invade two nuclear plants

By Hugh Clayton in London

Anti-nuclear protestors yesterday broke into two nuclear plants and claimed to have disrupted work in both. The protests, timed to coincide with talks in New York on the nuclear Non-Proliferation Treaty, were organised by the environmental organisation Greenpeace. It said its two big demonstrations in England had been joined by members from mainland Europe, north America, Australia, New Zealand and South Korea.

Police said there were 41 arrests in the British Nuclear Fuels reprocessing plant at Sellafield on the coast of north-west England after 100 unauthorised people had entered the complex. The state-owned company rejected a claim by the protestors that they had halted output of plutonium. "I can tell you that we've got some Greenpeace people on site, but operations are continuing," said company official Mr Bill Anderton.

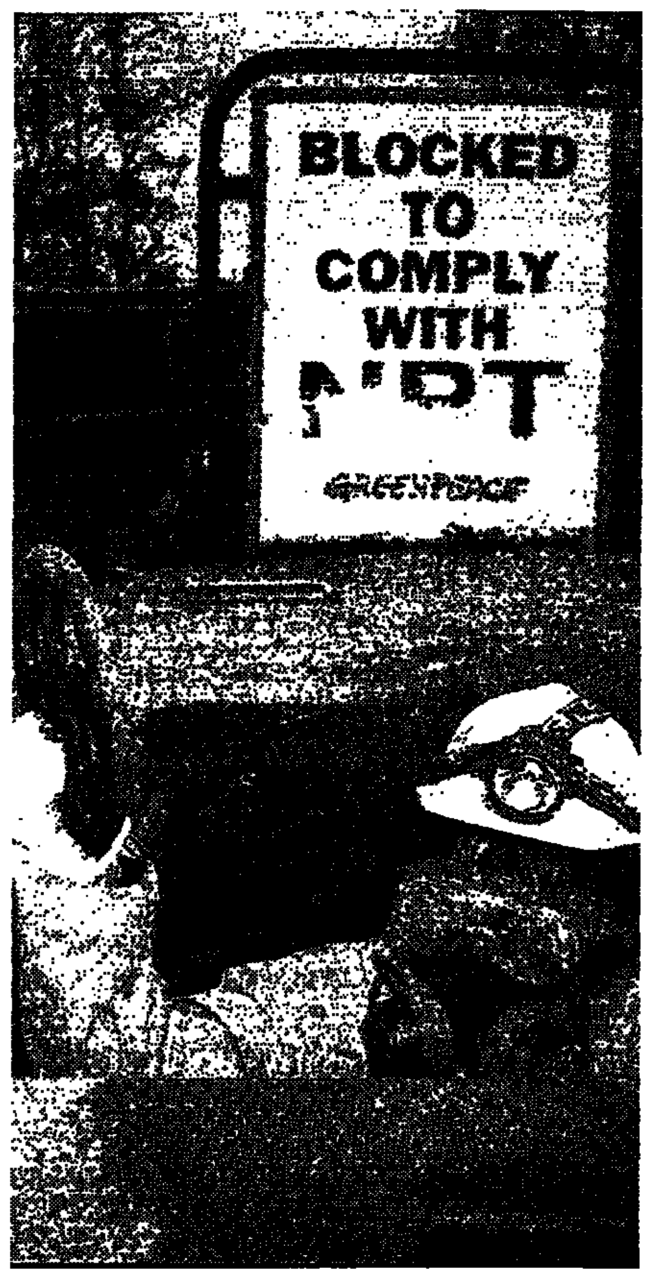
Meanwhile demonstrators were attempting to land by parachute in the complex at Aldermaston 70km west of London where research has been conducted on nuclear weapons for more than 30 years. Aldermaston was a frequent focus for anti-nuclear protests during the cold war. Greenpeace claimed it had blocked with concrete a pipe which, it said, was used for discharging water from Aldermaston into the River Thames about 20km away.

Police said three protestors had tried to parachute into Aldermaston, but none had managed to land inside the complex. The defence ministry in London said there had been a demonstration, but denied that a discharge pipe had been blocked. "I spoke to people at the base and they said it was impossible to concrete that particular pipe," said a ministry official.

Greenpeace said it was acting to do what the treaty had failed to do, which was to halt production of nuclear weapons and plutonium. Greenpeace official Ms Stephanie Mills said: "Instead of getting rid of nuclear weapons, Aldermaston is increasing production of warheads for the new Trident submarines and Sellafield is one of the world's biggest suppliers of plutonium."

Greenpeace mounted its biggest British protests at Sellafield, where 20 campaigners blocked the road into the complex with a container with four people inside it. The group anchored its ship Moby Dick close to the complex's discharge Greenpeace claimed that the complex pumped high levels of radioactive waste into the Irish Sea.

Greenpeace asserted that its members had halted production of plutonium at the Thermal Oxide Reprocessing facility (Thorp) at Sellafield. But it was criticised by British Nuclear Fuels for linking Thorp with the non-proliferation talks. "Thorp is a civil reprocessing plant, and the uranium and plutonium recovered from its operations are a valuable energy source," said the company. "BNFL is totally committed to non-proliferation, and Thorp complies with all the agreed international safeguards."



While protestors co-ordinated by Greenpeace invaded the Sellafield nuclear reprocessing plant in north-west England (above), another group claimed it had blocked a discharge pipe at a nuclear weapons research unit about 400km to the south (right). The demonstrations were timed to coincide with international talks in New York about the nuclear Non-Proliferation Treaty

Grunge is out as formal wear comes back in

Some tailors say there has been a change in spending priorities

Formal wear is back in fashion according to some retailers of men's wear. Mr Roland Gee, managing director of the Moss Bros chain of tailors' shops, said: "Formal wear is in and smart suits are again fashionable. Grunge is out." His company has just announced an 81 per cent rise in annual profits to £7.39m ($11.8m).

The idea of dressing up for special occasions and looking smarter in the office has pushed up sales of men's suits and increased the hire business after years of decline.

Retail sector analysts say that with the end of the recession, British men have begun to improve their wardrobes with the aim of looking smarter at work and at social events. Mr Robert Snaith, an analyst at Société Générale Strauss Turnbull, said: "We are seeing a trend towards more formality which comes against a background of low inflation and modest growth. There seems to be a desire to look crisper and smarter."

Mr Malcolm Busby, managing director of Simpson Piccadilly, said underlying sales growth in men's suits and formal wear had been about 18 per cent compared with 7 per cent across the group as a whole. Next has seen a 20 per cent increase in underlying suit sales over the past year.

Mr David Moss, director of buying at Moss Bros, said better economic conditions had helped the suit market but added that last summer's hugely successful film, *Four Weddings and a Funeral*, also did much to promote the idea that formality can be fun.

He believes that a small but significant feature of Moss Bros's results was the growth of its hire business. The company claims to have about 40 per cent of the men's garment hire market.

The recovery in smart clothes, however, is from a low base. Analysts say those companies, such as Moss Bros, Austin Reed, Marks and Spencer and Next, which have stuck to selling suits are merely benefiting from the end of a decline in formal dress. Mr Peter Jones of brokers Peel Hunt said: "To say there is a long-term trend back towards formal wear is perhaps overstating things."

Mr David Jones, chief executive at Next, agrees: "There's been a reduction in the number of outlets offering formal wear rather than an increase in the number of customers."

Figures collected by TMS Partnership, a market research organisation, confirm this view by showing only a slowdown in the decline of suit sales. Overall, the UK market was down by 1 per cent to £553m in the year to the end of February. Ready-made suit sales grew by 3 per cent to £516m and made-to-measure suit sales were down 30 per cent to £37m.

On the basis of these figures, the traditional London bastion of formal wear is understandably less than impressed by the so-called new fashion. Mr Angus Cundey of Henry Poole said: "Savile Row is not bursting with orders. As far as we can see, Englishmen are spending less and less on high quality clothing."

More than half the orders at Henry Poole – where the average price-tag is £1,300 compared with £148 for ready-made suits – now come from countries other than the UK, particularly the US and France.

James Whittington

Companies receive phones reminder

British Telecommunications, the former state utility, yesterday issued a reminder to companies which return to work today after the Easter break to check that telephones, computers and fax machines had been changed to accept new dialling codes.

More than 4,000 customers telephoned a helpline on Easter Sunday, the first day of the new dialling codes, which for most areas involved inserting the number '1' after the first '0.' The cities of Leeds, Sheffield, Nottingham, Leicester and Bristol have been given new codes and the international dialling code for calls made from the UK has changed from 010 to 00.

A team of 60 operators will be in place this morning, and BT expects to deal with 700 calls an hour as industry returns to normal working. Mr Alan Croft, BT's project manager for "Phoneday" said: "Replacing the old codes with the new ones in phones and equipment which store telephone numbers should be the first job for anyone who did not make the change before Easter."

People who misdial are automatically switched to a recorded announcement advising them of the new codes, and the message will be kept on until any confusion has ended.

A BT official said: "We always knew that the big test will come on Tuesday when the volume of calls will be double those of yesterday and today. We are confident that our system can cater for anyone who continues to use the old codes."

MANAGEMENT: THE GROWING BUSINESS

James Buxton on the fortunes of two ambitious companies that have adopted alternative methods to raise much-needed capital

Expansion along Scottish routes

Vision Group, a young company which produces miniature computer-based video cameras, has become a quoted company. Trading in its shares began on the London Stock Exchange last week after it raised £5m from institutions in a placing. It now has a market capitalisation of £48m.

Flotation is an obvious choice for many ambitious companies in the UK and US. However, it is not the only way.

Soon companies around the world will be invited to become a partner and stakeholder in Creos International, which makes power supplies for medical imaging equipment. It has concluded it can grow faster with a long-term partner than with a stock exchange quote.

Both companies are about five years old, based in Scotland and roughly the same size; they employ fewer than 50 people and sub-contract most of their manufacturing. Each has developed a unique technology making it a world leader in its field.

Vision Group's most recent product, the PC card camera, is the first commercially available miniature video camera that can capture and incorporate images directly on to a personal computer. An insurance assessor could use it to photograph a damaged car and add the picture to his accident report on a laptop.

Vision also makes miniature cameras for industrial and domestic security applications, and a programmable smart camera for traffic monitoring, production line inspection and remote surveillance.

At their heart is a microchip on which, uniquely, the camera's sensor and its processor are integrated – the result of a conceptual breakthrough by Alan Denyer, a professor at Edinburgh University, Vision's founder and managing director.

"The challenge is not to find markets but to keep pace with them," says Roy Warrender, Vision's commercial director. Vision is developing a product for the children's toy market this Christmas. Other applications include baby monitoring devices and video-conferencing via PCs.

To assist Vision's growth, Donnelly, a US motor industry components maker which dominates the market for rearview mirrors, took a minority stake in Vision in 1993: the two companies are collaborating to develop electronic imaging systems that could replace the car mirror. Donnelly is now Vision's biggest shareholder, with 31 per cent.

Denyer says the flotation, which involved placing under 17 per cent of Vision's enlarged capital, has provided funds to expand sales and marketing operations, and develop colour versions of its products.

He says Vision, which lost £638,000 on sales of £813,000 in the six months to January 31, should become profitable by the end of 1996 and should from then on finance its growth from sales.

"We are taking a conservative view of our prospects," he says. "We don't envisage coming back to the stock market for more money – though we would do so if we found a market opportunity that was really explosive."

Whereas Vision's ambitions cover a bewildering spectrum of possibilities, those of Creos are narrowly focused. It makes small generators which produce a brief, high-voltage charge to medical imaging equipment such as X-rays, so that they deliver the minimum dose of radiation to be effective but avoid the excess that could cause cancer.

"We are the Cosworth [high-performance car] of the medical imaging market," says Douglas Anderson, non-executive president, who helped assemble the team of US and Scottish technologists who lead Creos. Creos has raised all its finance from UK investors. It manufactures at two sites – Denver, Colorado, and Dalgety Bay in Fife.

Anderson claims Creos's technology is three to five years ahead of its competitors' and its products 10 times smaller. Although sales last year were only \$7m (£4.6m) it now believes it is on the threshold of a significant expansion.

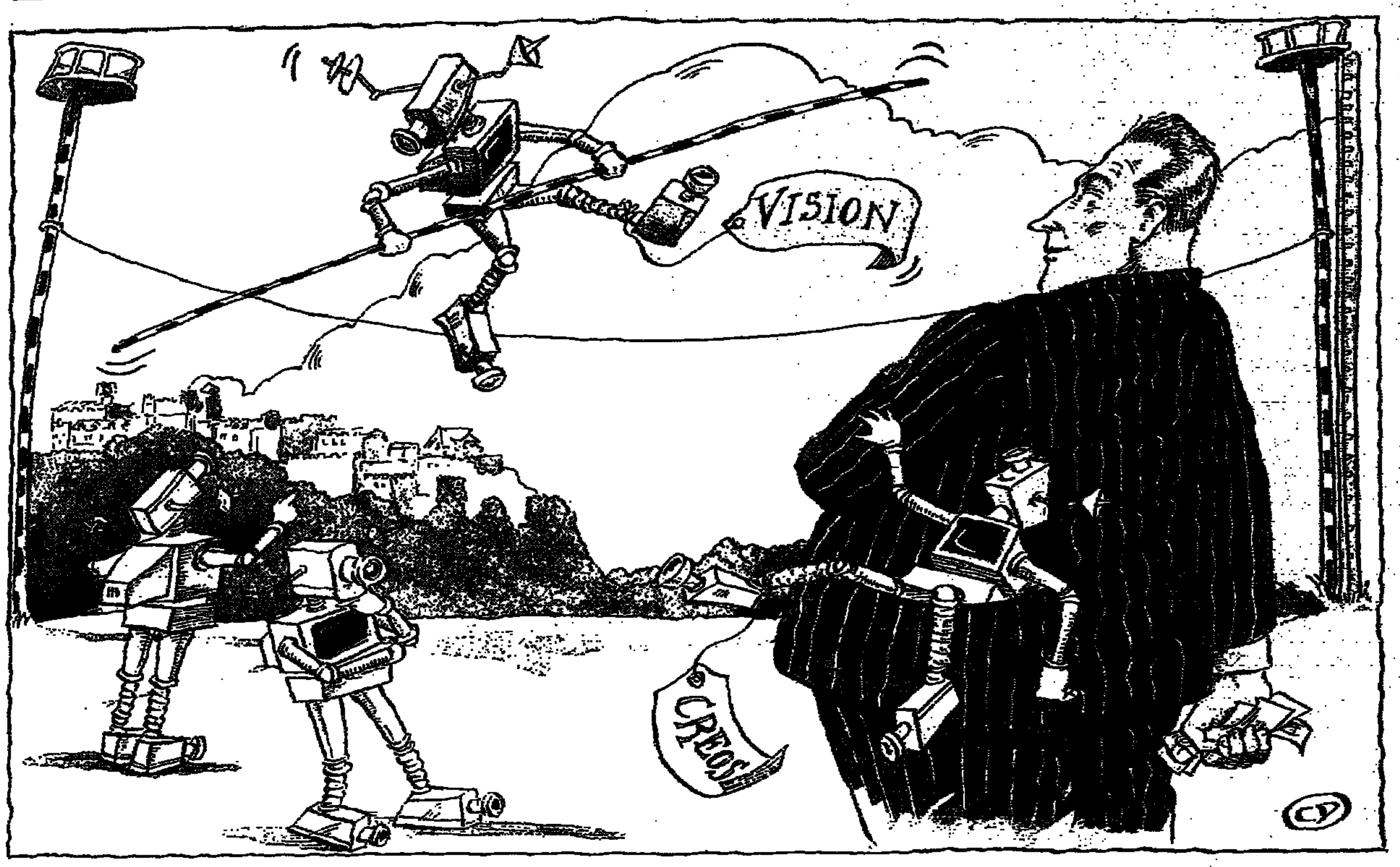
Already original equipment manufacturers (OEMs) in medical imaging equipment (such as General Electric of the US, Siemens, Philips, Hitachi and Toshiba) have created space for small companies such as Creos by outsourcing the manufacture of their key components, instead of producing them themselves.

But confirmation came last November at a medical imaging show in Chicago where Creos received nearly \$100m worth of order inquiries. "Before we had the theory that we would be successful; when we saw the list of potential sales it became real," says Michael Low, managing director.

Creos believes it has the chance to dominate a worldwide medical imaging power supply market worth \$500m. The question is how best to equip itself to exploit it.

The first option would be to carry on as it is. There would be no dilution of the founding investors' stakes (institutions including Electra Innvotec, Grosvenor Development Capital and Ivory & Sime hold about 70 per cent of the company, the management 30 per cent). "But we would have to turn away a lot of business that we ourselves have stimulated," says Anderson.

The second option would be to go for a flotation. However, if Creos raised the same £5m as Vision, it would not be enough to support the expansion it believes possible.



Apart from that, says Anderson, a quotation "would subject us to stock exchange pressures that have nothing to do with our business and would mean we had to maintain our share price".

A company that lets down the market can fall into a financial limbo, bearing all the costs of maintaining a listing with no prospect of using it to issue shares to raise more capital.

Instead Creos has selected the third option of seeking a partner who would buy into the company and support its expansion: Touche Ross, its financial adviser, is preparing to market the company worldwide next month. "If we carry on the way we are, we would eventually stabilise at \$25m turnover; with a partner we could get to \$100m in three years," says Anderson.

The ideal partner would be a large manufacturing company. But it would have to be outside the medical imaging industry to avoid Creos becoming too closely allied with one of its customers and alienating the others.

Creos wants a partner to provide long-term support, which a flotation could never provide. "Our customers are looking for a five- to 10-year relationship with us to service and support the products they buy," says Low. "If we were associated with a larger group, it would be of great comfort to customers when they order our products."

But he and Anderson accept that a partnership could result in a dilution of their own stakes in the business, and could challenge its management's independence.

If partnership is the right solution for Creos, why is it not suitable for Vision? Denyer argues that Vision has already been through the stage of having a corporate partner in its relationship with Donnelly.

But a significant difference is that, while Vision's products have considerable sales potential and have attracted 10,000 inquiries, Creos is confronting actual pent-up demand which should be swiftly translated into firm orders.

Misgivings about the extraneous pressures which stock exchange membership imposes do not appear to bother Denyer. "We accept that we will have to fulfil the market's expectations of higher profits," he says. "It's a discipline that's not stopped a great raft of high-tech US companies", which have to meet market expectations every quarter, not every half year.

هكذا من الاصل

THIS WEEK

O J: law in black and white

DATELINE

Washington: Live coverage of the Simpson trial has an obsessive TV following, writes Jurek Martin

You will have read little about the murder trial of O J Simpson in this newspaper. Though legal fees, publishing ventures and the media mob around the courtroom have all benefited the Los Angeles economy, it has not met many of our customary criteria for even modified treatment. Yet it is – *Clinton, Gingrich*, Dole, Greenspan notwithstanding – easily the biggest US story of the year. Why is this so? It's the law, stupid.

As a teenager, I saw an entire murder trial at Worcester assizes. An old money-lender from Birmingham, who dealt only in white £5 notes, then going out of circulation, had been battered to death. The accused had no alibi. A cache of the currency was found in his house and a crowbar with matching blood samples in his potting shed. He was acquitted, after a brilliant dissection of the circumstantial evidence by his barrister (as I recall, Alan King-Hamilton). The whole case lasted exactly six days, including a full day's deliberation by the jury.

It feels as though the Simpson trial is already in its seventh year. There is hardly a quorum of jurors left and those that remain, confined to a court room and a hotel, their every human contact, movie and reading minutely monitored, must be wondering why they allowed themselves to be empanelled in the first place. They cannot even discuss among each other what they hear in court until asked to consider a verdict – and what goes on in court in their absence, mostly arguments about admissible evidence, consumes almost as much time as cross-examination itself.

The questioning moves at glacial pace, *the judge sometimes seems to be losing* control of his court, the attorneys are barely civil to each other and the witnesses range from dour detectives to the sort of house guest only Hollywood could tolerate. ("I have leftover lasagna that is better at abstract reasoning," wrote Tony Kornheiser, the Washington Post columnist, of "Kato" Kaelin). An endless stream of interchangeable legal "experts" analyses on TV each five minutes of cross-examination, and the accused sits impassively or scribbles notes on legal pads. Supermarket tabloids and TV, from which the jury is mercifully screened, come up with new "revelations" every week, *while the* heavyweight press indulges in pop-psychology and Annie Liebowitz photographs. And still the prosecution has not wrapped up its case after four months.

The comparison with British justice is not made to belittle its American counterpart. The point is that court cases, whether lasting a week or an eternity, whether fact or filmed fiction, have always had the capacity to fascinate. But put them live on TV and obsessive interest can result. This is not the subjective conclusion of a would-be Henry Fonda (foreman in *Twelve Angry Men*) weaned on one old trial, Perry Mason and *Rumpole. The staggering evidence is this,* m'lud: that in the first quarter of this year, for the first time, the combined audience for US cable TV channels exceeded that of the main commercial networks – and all because of the Simpson trial.

CNN, Court TV and the E! entertainment channel clear their decks for live coverage, which the networks, after an early dabble, eschewed. The talk shows that proliferate on cable are mainly devoted to it. Even *Nightline*, the estimable ABC current affairs programme born during an earlier national obsession, the Iranian hostage crisis of 1979-81, attributes its new lease on life partly to its frequent focus on the Simpson case. So far this year, only the return of Michael Jordan to another court, basketball, has broken the trial's monopoly of the 100 most watched cable programmes.

Of course, what comes can go away. CNN reached new ratings peaks during the Gulf war, only to fall off sharply when it ended. But Ted Turner's audience research expert has found that over the last year, with the Bobbitt and Menendez trials having set new levels months before the double murder in Los Angeles, 14 of the 20 widely available basic cable channels have increased audiences, while the other six have held their own.

This, of course, creates another problem, that much regular cable fare – and network TV, too, now that Rupert Murdoch owns one – is full of sex and violence. This is largely watched, unsupervised, by the young and impressionable in a country where seven out of 10 households have more than one TV set and one in 10 has at least four. But, under orders from Judge Lance Ito, the Simpson TV audience is not shown the more gruesome photographs from the crime scene, making the trial one which all the family can watch, together or separately.

White Americans generally think Simpson is guilty, blacks that he is not. I am not sure the prosecution has yet made its case beyond all reasonable doubt. But I am sure that if it ends inconclusively, for lack of a full jury or for a hung one, any re-trial will have to be held on Mars. There is not a single living breathing citizen of this country who can claim unfamiliarity or neutrality. Newt Gingrich's Contract with America does not even come close in comparison.

FT GUIDE TO THE FRENCH ELECTION

The first round of the French presidential election is next Sunday. What is at stake?
A lot. A French president has relatively more power than a US president. He serves a seven-year term, names the prime minister, can conduct foreign and defence policy virtually solo, and can dissolve parliament and call fresh elections whenever he wants.

How does the election work?
In several stages. To qualify to run at all, candidates have to muster the signatures of at least 500 elected politicians, based in at least one third of the country's 95 departments. Several minor and purely regional candidates fell at this hurdle, winnowing the field to nine candidates who were declared, at the start of the "official" campaign on April 7, to have come under starter's orders.

They range from the three leading candidates – the two gaullists, Jacques Chirac and Edouard Balladur, and the Socialist Lionel Jospin – to six likely also-rans, led, according to the polls, by Jean-Marie Le Pen, the National Front leader, and Robert Hue, the Communist leader.

The first round of voting is a fence at which all but the top two scorers will fall. Those two then have a run-off election on May 7, to decide the winner.

Are French presidential elections as lengthy and expensive as those in the US?
Not at all, though they still last longer and cost more than in European parliamentary systems. French presidential candidates tend to "emerge" from their political parties, though this year the Socialists held a quick internal "primary" election won by Jospin. The two conservative coalition parties – the RPR gaullists and the UDF centre-right federation – failed to carry out their earlier pledge to hold a US-style primary to select a single candidate.

The upshot is that two RPR members, Chirac and Balladur, are contesting the election, and no one from the UDF. The election has some of the razzmatazz of a US campaign, with bands, balloons and T-shirted cheerleaders at bigger rallies. But there is less money to throw around, especially after a new anti-corruption law this year that banned corporate contributions and sharply reduced the ceiling on overall spending from what it was at the last presidential election in 1988.

Candidates can spend up to FFr90m (£11.37m) for the first-round campaign, and the two finalists going on to May 7 can spend up to FFr120m, with around one third reimbursed by the state.

Paid TV publicity is not allowed. Instead, the nine candidates get equal portions of free airtime on state TV and radio.

What are the issues?
Overwhelmingly domestic. Of these, France's unemployment rate of over 12 per cent – and what to do about it – is the most prominent. Related issues include the chronic deficits in the country's welfare, health insurance and pension systems, and prospects for shifting the burden of financing the welfare system off company payrolls and on to the state budget, while narrowing the budget deficit and reducing public debt.

By contrast, European and foreign policy issues have counted for little. Despite the fact that the campaign coincides with France abolishing passport checks with six of its continental neighbours in the Schengen "free travel" arrangement, immigration has not been widely debated as an issue, though it may be one.

If there is one single policy reason for Chirac's lead in the polls, it is his focus on unemployment as the one problem which, if solved by his planned social charge reductions and job premia, will eventually sort out the rest of the mess in French public finances. He and Jospin have not worried too much about how their programmes square with the Maastricht disciplines for monetary union. By contrast, Balladur has appeared too fussy about the Maastricht arithmetic to appeal to the average voter.

Does the election outcome matter to foreigners?
Yes, especially to other Europeans. This is not so much because France is at present president of the EU. The first significant international engagement for France's new president will be to host the EU summit in Cannes in June. But EU presidencies rarely have a big impact on the Union, and France's spell in the EU chair barely has two months to run. The importance is rather that France, along with Germany, has been the traditional motor of EU integration, and thus can be expected to play a big role in next year's intergovernmental conference. In addition, France, like Britain, is a nuclear power and permanent member of the UN Security Council.

Does the presidential election matter to the French themselves?
More so than parliamentary and municipal elections. In the past 30 years voter turn-out has always exceeded 80 per cent in presidential elections, with one exception. That was in 1969 when two right-wing candidates ended up in the run-off, leading to widespread left-wing abstention. This could re-occur, in the less likely event that Balladur edges Jospin out of second place so as to face Chirac in the run-off. The most appetising aspect of the election for most French is the prospect that the incoming president may decree an amnesty for a range of misdemeanours, including parking tickets, as has happened in the past.

Who will win?
Probably Chirac.

David Buchan

Ian Anderson: vaguely spiritual theme

PEOPLE

Rudloff opts for a daring swansong

Nicholas Denton looks at MC's venture into Russia

Hans-Jörg Rudloff has chosen a daring swansong. Not only has he founded a new investment bank, MC Securities, in an industry dominated by established giants. But its first push has been into Russia, one of the world's riskiest markets. On the fringes of last week's meeting of the European Bank of Reconstruction and Development in London, Rudloff unveiled MC and its joint venture with Sintez Corporation, a Russian oil and banking conglomerate.

Rudloff could have sat on his laurels: long-time chairman of Credit Suisse First Boston, the London-based investment banking operation of the Swiss banking group; a force behind the Euromarkets and London's grip on international debt and equity issuance and trading; a founder of Credit Suisse Financial Products, one of the leading players in derivatives; inspirer of CSFB's bold and ultimately successful expansion in eastern Europe after the collapse of communism; and perhaps the pre-eminent international investment banker of his time in London.

Instead, he is tempting fate. MC is investing $9m (£5.6m) in a country with unpredictable economic policies and uncertain commitment to reform. And it has a local partner. Russia is littered with the corpses of joint venturers *who fell out*.

MC is moving in even as investment banks such as Goldman Sachs are pulling back from Moscow. Goldman Sachs is the world's most powerful investment bank, whereas MC is a boutique with capital of $75m and a target of 150 staff. Competitors sneer about MC executives. "A bunch of old-timers and kids," they say. And Rudloff's obituaries are already drafted. A former colleague at CSFB offers the epitaph: "He was a brilliant man – in his day."

Rudloff, 54, knows that his reputation is on the line in Russia, and more. He says: "Obviously MC will be the last thing I do. We are putting all of our eggs in a few baskets. Most of my money as well."

He could have played the senior statesman at some established financial institution. After he left CSFB in 1993 he had such a role: strategist on the board of its parent, CS Holding, in Zurich. But comfortable semi-retirement in Switzerland is not for him. "You can do that when you are 70. Switzerland is a very nice place but..." He pauses. "I have never believed in playing golf."

A friendly rival gives another reason for Rudloff's restlessness: his replacement by David Mulford, former US Treasury official, amid infighting at CSFB. "He was prematurely removed from CSFB. He is going to work very hard."

Hans-Jörg Rudloff: a god to many young executives

Rudloff believes that his age in an asset. He confronts the barbs with practised skill. "I am an old-timer. That is exactly the right way to put it. But you know it can be a pretty powerful combination: old-timers with a mixture of experience and relationships, who have seen it all, and modern, highly-trained kids."

One old-timer, Pehr Gyllenhammar, former chairman of Volvo, is on the MC board. And the kids include Charles Harman, in charge of corporate finance at MC, who was head of CSFB in central Europe, and Zdenek Bakala, Rudloff's partner in Prague, who built CSFB in the Czech capital. Both are around 30, but they are already veterans of the emerging markets of the former communist bloc.

They followed *Rudloff partly out* of loyalty. At CSFB, Rudloff used to tour the offices at night. It was generally the young thrusters who stayed that late. He would invite them out for dinner, then to London's West End and his favourite nightclub. If they had dates with girlfriends, they were told to bring them along. Rudloff is a god to many of the young executives he raised.

A more solid attraction is money, but not to start with. Harman gave up his bonus and generous CSFB salary to move to MC. But he is a partner and, if MC succeeds, he and his colleagues will make their fortunes. "At the end of the day, Rudloff has always made money for people," says Harman.

This time, Rudloff is betting on investment banking in eastern Europe. "For me there is such a logic to it. Everybody was talking about emerging markets, and emerging markets within an hour's plane ride are more interesting. Now it's easier because you know where it is going. And there is still lots of room."

Rudloff has been right before. CSFB's Russian operations earned about $100m in revenues last year. The market may be fickle: a stock-market collapse in Moscow since last autumn has left investors with losses. *But an admirer* says Rudloff's timing has been impeccable, adding: "The worst is over. Now the money is going to be made."

Or maybe not. What if MC fails? A jovial Rudloff says: "We lose a lot of money. Otherwise, not much happens. I can look like a total idiot in three years' time. We'll see in three years."

NAMES IN THE NEWS

Carol Bellamy's peace offering

Carol Bellamy, the new head of Unicef, the United Nations Children's Fund, has a reputation as a feisty New York political pro, writes Michael Littlejohns.

She made her name sparring with the likes of former mayor Ed Koch and national vice-presidential candidate Geraldine Ferraro. She always gave as good as she got. Now she faces her biggest test. She has to prove that she can translate her skills at incestuous political infighting to revitalising a $1bn (£0.60bn) a year agency which operates in 131 countries and has been accused of poor management and corruption.

It is the sort of challenge Bellamy has relished in the past. But she may have to curb her belligerent tendencies and turn on the charm. Cajoling governments to contribute large amounts of cash will be a stiff task, especially since the European countries failed to break the US monopoly on the top job at Unicef.

Bellamy, 53, has an impressive record in public service, most recently as head of the US Peace Corps, which she served for two years while a young volunteer in Guatemala. She was the first former field worker to become director of the agency and is now the first woman to head Unicef.

She was not the first choice of the Clinton administration or of the UN secretary-general, Boutros Boutros-Ghali. But her financial and business background helped her succeed as a compromise candidate. A qualified lawyer and former fellow of Harvard's Kennedy School of Government, Bellamy has mixed her political career with stints on Wall Street, first with Morgan Stanley, then Bear Stearns.

But there is one area where she is relatively unqualified. She is wealthy, childless and unmarried. As a result, she needs to prove that she can relate to Unicef's principal customers: the world's poorer women and children.

Hüppi makes whoopee in Zurich

Rolf Hüppi, cigar-smoking chief executive of Zurich Insurance, is the odd man out in the insurance world, *writes Ian Rodger*. As boss of a company which made a $2bn (£1.20bn) bid for US financial services group Kemper last week, Hüppi has a knack of making insurance interesting.

He is a consummate salesman, but also an innovator. In 1988 he formed Centre Reinsurance to develop a new concept called finite risk reinsurance. The company offers partial rebates if insurers do not claim their full reinsurance cover over a contracted period. It was an instant, and much-imitated, success.

He has also reoriented Zurich's operations from generalised "lines" of business to specialised customer groups. Hüppi tirelessly explains that specialisation enables Zurich better to understand the needs of a customer group. Then it can offer improved services and charge higher prices.

Some investors are getting nervous about the pace of Zurich's growth and diversification since Hüppi, 51, became chief executive *in 1991. He insists the group is still* tightly focused on life and non-life insurance, reinsurance and asset management, and that it has great financial strength.

If, heaven forbid, California slid *into the sea*, an earthquake devastated Tokyo, hurricanes pounded the east coast of the US and severe wind storms hit western Europe, the company would flinch, says Hüppi. "But I don't think it would kill us."

Dr Doom rides again

Once upon a time, a word from Salomon Brothers' Dr Henry Kaufman, who spent 26 years at the Wall Street broker, could send shudders through the world's bond markets, writes Maggie Urry. His weekly comments on credit were essential reading in the days when an attempt to measure the money supply still had some value.

Since quitting Salomon seven years ago, Kaufman has contented himself running his own firm, managing $750m (£468.7m) of mainly institutional money, and doing consulting and public work. Now 67, he has decided to return to Wall Street as a director of Lehman Brothers, the investment bank. But he does *not intend returning to the* weekly grind of publishing his latest thoughts on the bond markets under Lehman Brothers' letterhead.

Even so, he still seems to be living up to his old nickname: Dr Doom. Kaufman's view at present is that the US economy is likely to strengthen in the second half of this year, which will lead to further tightening by the Federal Reserve. The Fed Funds rate could be close to 7 per cent by year-end. And he warns that while recent shocks such as Barings, Orange County and Mexico have been absorbed by the high level of liquidity in the system, that liquidity will diminish and the shocks will keep coming. That will be a significant test for the markets.

MUSIC

■ Even in his one-legged, manic-eyed prime as lead singer of Jethro Tull, Ian Anderson showed signs of impatience with straight rock music. On *Divinities: Twelve Dances With God* (EMI) he gets the chance to experiment and indulge himself completely, composing 12 pieces for flute and orchestra with a vaguely spiritual theme. It is lovingly played and arranged, occasionally reminiscent of the more accessible side of Frank Zappa, and likely to appeal to all those who loved the twiddly bits in *Thick As A Brick*.

□ Aaron Neville – without his brothers – shows alarming signs of Luther Vandross syndrome in *The Tattooed Heart* (A&M). Symptoms include a lovely, soulful voice and an acute shortage of material on which to show it off; this despite the songwriting talents of Andrew Gold, Kris Kristofferson and Mike Chapman, who rather let themselves, and Neville, down. Aaron joins his brothers for a summer European tour, including a date at London's Shepherds Bush Empire on July 17.

■ One *might* care to argue that the deep, smokey, passionate, sensual voice of Jeanne Moreau is a tad wasted on children's stories; be that as it may, she tells the tale of Babar the Elephant wonderfully well in Poulenc's version of the fable, accompanied by Jean-Marc Luisada on Deutsche Grammophon. The *Poulenc is paired with a selection of* Erik Satie's best-known pieces.

□ It was only a matter of time before the remarkable Hildegard of Bingen got the "Gregorian" treatment ("Doesn't this deeply spiritual medieval music sound spine-tinglingly good with a 20th century backbeat?"). The sleeve notes of *Vision* (EMI) even go to the trouble of quoting Hildy herself on *what she thought of those funky* sounds ("Every element has a sound, an original sound from the order of God; all those sounds unite like the harmony from harps and zithers"). Funny, no mention of drum sampling.

■ In brief: the excellent young Milanese chamber music ensemble Il Giardino Armonico, with Christophe Coin on violoncello, tackles Vivaldi's double and triple concertos (including *Il Proteo*) on the Teldec label; Mariss Jansons conducts the Philadelphia Orchestra for Shostakovich's Tenth Symphony and the same composer's orchestration of Mussorgsky's *Songs and Dances of Death* (EMI).

Peter Aspden

FILM/VIDEO

■ Moods change fast in movieland. From dumb and dumber we progress to grim and grimmer. Roman Polanski's *Death And The Maiden* is a film of Ariel Dorfman's chamber play of torture and political debate: opened out, say advance reports, only to allow a larger area for the guilts and agonies to swirl around. Sigourney Weaver stars, with Ben Kingsley *and Stuart Wilson*.

□ In *Outbreak*, scientist Dustin Hoffman investigates a killer virus from an African rain forest. Will it destroy – assuming it can first find – intelligent life in California? Directed by Wolfgang Petersen (*In The The Line Of Fire*), the techno-thriller has been a hit at the American box office, re-establishing Hoffman's bankability after the likes of *Hook* and *Accidental Hero*.

■ As a lighter treat post-Easter, you might try Richard Linklater's romantic comedy, *Before Sunrise*. American boy (Ethan Hawke) meets French girl (Julie Delpy) aboard Austrian train. They decide to wander Vienna for the night – no money for a hotel – and, guess what, they fall in love. Instead of being syrupy, the film is nimble-witted. As in *Dazed And Confused*, Linklater excels at choreographing those near-invisible tics of human behaviour that make up social body language, especially when that language is cranked into superdrive by romance.

□ On video, the choice is between the sinisterly sublime and the rousingly ridiculous. Leni Riefenstahl's *Olympiad* mythologises the Hitler-attended 1936 Berlin Olympics, using dazzling images to sell the Aryan dream. (You could watch this in conjunction with the queasy moral conundrums presented by TV's Wagnermania season). *Priscilla: Queen Of The Desert*, starring Terence Stamp, is the best-ever comedy about three drag queens lost in the Australian outback. A small genre, but on this evidence a precious one.

Nigel Andrews

BUSINESS TRAVEL

Plan to cut delays

An attempt will be made today to reduce delays to passengers caused by airport formalities. The International Air Transport Association (Iata) is trying to get all governments to agree that no passenger should take more than 45 minutes to pass customs, immigration and health checks at airports. Iata also wants to encourage wider use of machine-readable passports and other travel documents.

It will make its proposals to a civil aviation meeting in Montreal.

Sleeper services

Scottish sleeper services which are due to be axed could be reinstated, British Rail says. Last week the Central Rail Users' Consultative Committee, the passengers' watchdog, claimed it would be difficult for BR to restore the services. Overnight sleeper trains from London to Fort William and from Plymouth to Glasgow and Edinburgh, together with all Motorail services, are to cease operation from May 28. But restoration may occur if Roger Salmon, the UK rail franchising director, decides to include them in ScotRail's passenger service requirement.

Karaoke parlour deaths

At least 11 people were killed when fire swept through a karaoke parlour in Taiwan's capital, Taipei, yesterday, *reports Reuter*. Thirty-eight people were rescued, but 13 were injured. The fire started at 2.08am local time. Its cause was not immediately known.

Karaoke parlours in Taiwan have seen lethal fires before, and many have been criticised for poor safety records. Last February 64 people died in the island's deadliest fire in a karaoke parlour and restaurant complex in the central Taiwanese city of Taichung.

Peace dividend

Jordan's hotels are full to bursting because its tourism industry is creaking under a boom fuelled by its peace treaty with Israel last October, *Reuter reports*.

There is also a shortage of multi-language guides. Over 500 Israeli tourists have entered Jordan each day since the borders opened last November, and more are expected after May 1 when an initial daily limit of 900 Israeli tourists is lifted.

The tourism board is confident the kingdom can handle the higher numbers by investing in new facilities and upgrading older ones.

Taste for opium

Police raids on 80 hot-pot restaurants in the central China city of Chongqing revealed that half were using opium poppy seeds to spice up their food, the Legal Daily reported.

The raids uncovered 7lb of opium poppy seeds and shells in six restaurants alone. On average, each restaurant used 1lb of opium poppy each month. Poppy seeds add extra taste to the hot pot, a popular dish in Chongqing, which is in the province of Sichuan, famous for its food.

Police will start criminal proceedings against restaurant owners.

Qantas revamp

Business-class passengers travelling on Qantas will notice an improvement, as the Australian carrier's revamped aircraft filter through to its European routes, *writes Kate Bevan.*

They are already in service on some routes between the far east and Australia. Main feature of the relaunch is bigger seats and more legroom. The revamp has cost Qantas 10 seats in business class on its 747-400s, but unlike other airlines which have elected for bigger seats, including Continental and Virgin, it has not abolished first class, which has fully reclining seats.

The new service is a compromise between old-style business class and first class.

Likely weather in the leading business centres

	Tue	Wed	Thur	Fri	Sat
Tokyo	19	21	20	23	24
Hong Kong	29	28	27	29	29
London	10	15	10	11	10
Frankfurt	15	12	13	14	15
New York	17	[illegible]	17	[illegible]	[illegible]
L.Angeles	16	16	18	18	21
Milan	19	[illegible]	18	17	16
Paris	14	11	11	13	15
Zurich	[illegible]	[illegible]	12	[illegible]	16

Maximum temperatures in Celsius

Information supplied by Meteo Consult of the Netherlands

When there's trouble ahead

Bodyguards play a more discreet role than they used to, writes **Kate Bevan**

How do you picture a bodyguard? As Kevin Costner, with an unconscious Whitney Houston in his arms? A muscleman wearing sunglasses and toting a small personal arsenal? Wrong on both counts.

In fact, the term "bodyguard" is disliked by the security business, which prefers "close protection escort" or "security co-ordinator". But whatever you choose to call it, you might find yourself needing such help on some of your travels.

Control Risks, a British security group, says there are some cities where business travellers would be wise to have protection. Top of its list at present are Algiers (danger from Islamic fundamentalists); war-torn Freetown, Sierra Leone (rebels have seized foreign hostages); Karachi, Pakistan (two US consulate workers killed during recent violence); and parts of Russia.

"But it really depends on who you are," says Richard Fenning, the company's business development manager. "If you're a celebrity you'll need some kind of protection even in London."

The need for protection also depends on what you will be doing. "We wouldn't normally say someone needs protection in Phnom Penh [Cambodia], but if you are going out of the city into areas controlled by the Khmer Rouge you should certainly have someone with you."

In some places business travellers can be just as much at risk as tourists, maybe more so, especially if the assailants are after money.

Control Risks has a pool of about 50 security escorts, most of whom are ex-military. And they are not hairy hunks. "We prefer to keep people out of trouble, so we use a low-key approach," says Fenning.

The last thing you want to do when travelling in a risky area is provoke trouble, so your security co-ordinator is unlikely to wear mirror sunglasses or juggle guns and knives.

You could leave it until you arrive to organise your bodyguard, but that is not recommended.

"You can find any number of huge hairy Afghans if you want them in that part of the world," says Fenning, but then you would have no idea who they were. It is much safer to determine what you need before leaving home.

> **The industry would rather use the term 'close protection escorts' or 'security co-ordinators'**

Costs are not negligible. Depending where you are, a bodyguard is likely to cost about £400 a day or the equivalent, plus expenses. If you take him with you, he may not demand to fly with you in first class, but he is likely to expect business class.

You do not necessarily need a guard 24 hours a day. Often a bodyguard acts more like a liaison officer than a shadow, talking to local police and military, and arranging drivers.

With or without a bodyguard, there are plenty of things you can do to make your travel safer. You need to be properly prepared, and preparation starts the moment you step off your aircraft.

Do you need someone to meet your flight? If so, should you use a password to make sure you are not abducted by an imposter who has got your name from the passenger list? If you are not being met, is there a particularly trusty taxi operator? Or a notably dangerous one?

Your choice of hotel should be based on personal recommendation. Some experts say you should not let anyone into your room unless you know who they are, but that can be impractical in a big hotel with many staff. Instead, make sure reception calls you if anyone comes to meet you. And ask housekeeping to inform you when staff are going to clean your room.

If you are mugged, do not be confrontational. It is not worth being hurt for the sake of cash or possessions. Experts usually suggest that you carry a small amount of cash – "mugger's toll" – that you can hand over without fuss.

Women should take special care when travelling alone, though generally they are better prepared than men because they take personal security more seriously as a matter of routine. Women executives should find out if their hotel bar is a hang-out for prostitutes or pimps, and conventional wisdom recommends avoiding ground-floor bedrooms if windows are insecure.

With reasonable care, you are likely to need expensive protection only in the wildest places. But many security experts believe that will change.

Moviestore

Kevin Costner as a Hollywood bodyguard with Whitney Houston

Athens cleans up its act

Athens was in festive mood last week at the start of a three-month ban on cars in its historic centre, Reuter reports. The aim is to reduce air pollution, preserve ancient monuments and make living in the Greek capital bearable again.

As the ban started, brass bands blared and politicians praised themselves in TV interviews. "This inaugurates a new era which will change the face of Athens and make it a cleaner, more humane and more functional city," Dimitris Avramopoulos, the mayor, claimed.

The experimental ban on cars, motorcycles and taxis from 8am to 8pm covers a 0.7 sq mile area below the Acropolis and was the brainchild of the mayor and Costas Laliotis, the environment and public works minister.

Athens is plagued by gases that threaten its 3.5m inhabitants as well as its classical treasures. In the summer of 1988, an estimated 800 people died of smog-related illnesses. City authorities periodically warn people to stay indoors.

The ban has closed most roads inside the triangle of Mitropoleos, Stadiou and Athinas streets, covering the main food markets, bourse and old parliament building. Only delivery trucks servicing local shops, a few residents' cars and a new fleet of bright red minibuses – free to the public – are allowed.

"It's wonderful. It's now the only place in Athens where you don't have to fear for your life when you cross a street or brace yourself for an insult from a frustrated driver," said Yannis Stathopoulos. He was helping children paint boards which will seal off worksites for the new metro, which is due to open in 1997 and will help cut traffic and pollution.

Bruised at Big Apple's airports

Air traffic controllers are in such short supply in New York that airlines could be forced to curtail flights during peak summer travel, it was reported last week.

The 50 "operational" errors tallied last year by the Federal Aviation Administration included allowing aircraft to get too close to each other or to stray out of their proper air space. The controllers' union and FAA managers are working on a plan to hold aircraft longer on the ground when necessary.

Such delays could force airlines to cancel flights using Kennedy, LaGuardia and Newark airports to prevent hold-ups there affecting services elsewhere. These three New York airports handle 6,000 take-offs and landings a day. The difficult workload and high cost of living have caused the shortage of regional controllers, union officials said.

هكذا من الأصل

MEDIA FUTURES

Time for the UK to network public information

Tim Jackson

When the definitive history of open government is written, 1835 will probably be declared a landmark, for it was in that year, nearly half a century after the foundation of His Majesty's Stationery Office, that parliamentary papers were first made available to the public. It is depressing to note what little progress has been made since then.

A century and a half later, HMSO still typesets and prints its documents, and sells them by mail-order and to personal callers at a few shops. Only insiders, such as MPs and journalists, receive them for nothing; the public has to pay. Even green papers, the documents issued by governments when they want to bring interested parties into policy debate, are rarely distributed as widely as they should be.

The paradox is that the technology already exists to give all of us easy access to public papers. Using the World Wide Web, the 30m-odd users of the Internet can browse through almost 3m different documents, each varying in length from a few short headlines to tens of thousands of words.

They can use software to search for keywords, producing a list of Web pages that mention the topic they are looking for. While reading one document, they can click on a cross-reference and jump instantly to another document – which may be stored on another computer, in another town, or even in another country.

If this sounds baffling, no matter: the beauty of the Web is that people who use it need not care how it works. The point is that they can find their way around a vast store of information without expertise in computing or librarianship, and for no more than the price of a local call and a subscription to an Internet service.

I experienced a taste of this for the first time last week, in the course of some research on proposals by a US senator for stricter curbs on the electronic transmission of obscene material. Starting at the Web home page of the Library of Congress, I clicked on Thomas, the name of a service that offers information on bills before the US Congress, clicked again to choose the 1994 session, and typed in the words Exon (the Senator's name).

Ten seconds later, the title of the bill came up. A final click transferred the text verbatim to the computer on my desk. But primary legislation and green papers are only the tip of the governmental iceberg.

Legislative proceedings, parliamentary questions, regulations, press releases, performance statistics of public bodies, tax leaflets, application forms for state benefits, electoral rolls, Companies House records – all these are documents that can be invaluable to businesses, interest groups and private individuals if only they are easily accessible without excessive cost or inconvenience.

Anyone who doubts whether there would be public demand for such a service need only look at the usage statistics for the Thomas service (*http: //thomas.loc.gov/*). Its computer deals with around 44,000 inquiries each day, a number that would require a small battalion of civil servants and a substantial mail-order operation to process. Even US government agencies use the system, which is not surprising when it can deliver a legislative text more quickly than most people can scribble a memo requesting a copy.

Britain is far behind. The government has a Web page (*http: //www.open.gov.uk/*), but it offers little of substance beyond charter documents, ministerial speeches, the odd press release and the recent G7 communique on the superhighway.

With the honourable exception of the minutes of the monthly meetings between the chancellor of the exchequer and the governor of the Bank of England, much of the material on the government's Web pages is high-grade puffery.

If people are reluctant to read PR handouts pushed through their letterboxes, they are even less likely to stay up at night reading them off a computer screen. One might think that it is lack of funds that has been responsible for the deficiencies in the government's Web service. But the price of the computer disc space on which Web information must be stored is low and falling.

At around £1 per megabyte, the civil service could put 1bn pages of documents online for around £1m a year. Since many central government departments are already admirably equipped with networked PCs and e-mail, use might be made of existing computer storage, so the price might be lower still.

In any case, the cost of making public papers available electronically would be covered many times by the savings. Civil servants would spend less time sending documents out and answering enquiries, for the public would be able to retrieve what they needed independently.

There is already a lively debate in the US on ways in which technology can make democracy work better by improving the flow of information. In Britain, that debate is only just beginning. The culture of secrecy in British governance – and the vested interests that hinder its reform – will mean that progress is slow. British politicians and civil servants seem to believe that it is easier to defend government policy when its opponents are starved of information.

And a host of professionals – press officers, lobbyists, patent agents, company search specialists, planning experts, regulatory lawyers – sees risks in open government if it allows clients to bypass them.

With luck, both will realise in time that they are wrong: that the free electronic flow of public information will promote better government and provide a better livelihood for professionals who specialise in public policy. Meantime, users of the Web who want access to British public documents must be patient.

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How long now for dead trees smeared with ink?

Via e-mail, **Stephen McGookin** interviews an authority on online newspapers

The world's newspapers are leaping into cyberspace.

From *Aftonbladet* in Sweden to *L'Unione Sarda* in Italy to the *Weekly Mail* in South Africa to the *Los Angeles Times* or *Hartford Courant* in the US, newspapers are hurtling along the infobahn at such speed that it is hard keeping track of them.

However, one man who knows, almost by the hour, which publications are heading fastest towards the new electronic frontier is Steve Outing, founder of Planetary News of El Cerrito, California.

For the past year, his company has been using the Internet to create a database of online newspapers throughout the world (*http://marketplace.com/e-papers.list.www/e-papers.home.page.html*), as well as providing a consulting service for publishers about to take their first step into the electronic arena. Outing is also the author of the *1995 Online Newspaper Report*, a hard-copy guide to setting up such a service, and widely seen as an indispensable tool for anyone in the business.

While there are other excellent online journalism resources – for example, Newslink (*http://www.newslink.org/newslink*) or John Makulowich's journalism list and impressive array of links to other sites (*http://www.clark.net/pub/journalism/verbwork.html*) – Steve Outing has established himself as an authority on the subject largely by virtue of the two highly active Internet discussion lists he set up in February last year: online-news and online-newspapers.

At present he tracks around 200 online newspaper services – double the number at the end of 1994 – and is hearing of several new additions each week. "At the end of 1993 there were only about 20 newspaper online services. Just about everyone in the newspaper industry is excited about the possibilities of publishing online – from big metros to community papers," he says. He guesses that there could be between 1,000 and 2,000 newspapers operating such services within two years.

But the herd instinct is at work at present, he believes, with some publishers rushing to establish themselves electronically simply because their competitors are doing so, and because it is relatively cheap and easy to set up on the World Wide Web – the rapidly growing graphics-based side of the Internet.

"I would hope publishers enter into this new medium not as a defensive move, but with a realisation that online represents the beginning of a major shift in the publishing industry. Networked computing technology allows publishers to think in entirely different ways, to create very different products, to experiment. So many newspaper publishers have operated the same old way for many decades. Now comes an opportunity to build a new business model. They need to ask if their organisation has the commitment to break out of the mould," says Outing.

The development of the online newspaper industry in the immediate future depends fundamentally on whether news providers can work out how to charge for their services and achieve economic viability.

Most web-based newspaper products are free, but have plans to begin charging sooner rather than later. Britain's *Electronic Telegraph*, for example, requires a reader registration as a prelude to a charge based system, while the *San Jose Mercury News*, regarded as a pioneer in the online field, is set to impose an access fee.

Even a moderate monthly charge for reading a web-based publication – on top of the subscriber's Internet access costs – would probably be enough to deter casual browsers, with the result that each service will end up attracting mainly local users. Steve Outing believes such a result could benefit newspapers which also offer Internet access in their local markets. "They pull in access fees over the short term, don't charge a fee to view the content and slowly are building online advertising. When the online ads increase to a level capable of supporting the services, the paper will have less reliance on making money from selling Internet access."

It is also in the newspapers' interest, he says, to create online services in which they provide an "electronic town hall" for their subscribers to meet. "Any newspaper, big or small, can succeed if it can position itself to be the No 1 online information provider in its community."

No publishers are making serious money online at present. But in the long term, he says, newspapers have an opportunity to turn their online services into profitable ventures, and will do so not by receiving subscriber fees but in three ways: first, by selling advertising or sponsorships; second, receiving a commission based on online transactions that readers conduct with advertisers; third, charging for premium services such as access to their archives or providing personalised electronic clippings services.

"For the foreseeable future," says Outing, "newspapers will be producing online services that supplement the print products. Or, at least, that will be their intention. I think a small but growing group of people – especially young people who went through college with Internet access as a way of life – will begin relying on these services rather than the printed paper for news. This is not going to be a large group until we have something better than today's PC screens on which to view online services."

He says that the arrival of "robust, magazine-size digital tablets" might persuade large numbers of people to give up the "dead-trees-smeared-with-ink" versions of their newspapers. As far as he is concerned, though, such a breakthrough won't happen this decade.

The 1995 Online Newspaper Report: Jupiter Communications, New York, Tel: (212) 941 9252

USA Today comes to the screen

USA Today, America's only national daily newspaper, yesterday took its distinctively snappy, news-nugget approach online, writes Stephen McGookin.

The move comes at a time when all hard-copy US newspapers have been affected by rising newsprint costs and a general reduction in the space available for news rather than other content.

The new USA Today service is an extension of its existing electronic offering, the Sports Center, and builds on the heavy demand among mostly male online users for frequently updated sports information. It will also provide – at extra cost – a variant on widely popular "fantasy baseball" games.

The online service will be available to subscribers dialling in through the CompuServe network.

While USA Today online will use Web technology, and its users will be able to visit other Web sites, the electronic version of the paper will not be accessible to non-subscribing Internet browsers who have Web access.

Subscribers will pay $14.95 a month, which gives them three hours' usage. Each additional online hour will cost $3.95.

While the other big online access providers, Prodigy and America Online, cost less per month, USA Today is optimistic that its product will prove competitive in a fast growing market.

IBM lifts Internet services

By Tom Foremski

In a bid to become a significant provider of Internet services to business, IBM plans to more than double the number of local Internet access points on its global data communications network and offer World Wide Web publishing services.

The IBM Global Network will expand from 177 Internet gateways in 21 countries to about 450 local access points in 40 countries by the end of this year. The network currently has about 25,000 business customers, representing about 2m users.

John Patrick, vice-president of IBM Internet Applications, said the group's goal is to provide high-speed communications links based on asynchronous transfer mode (ATM) technology that can provide communications speeds of billions of bits per second. "If you think of a 9,600 baud modem as a 1in garden hose delivering information, with ATM we can build an information pipeline 27ft in diameter."

Faster communications speeds will allow for a greater range of services mixing text, video, audio and graphics information.

As part of its Internet expansion plans, IBM also said it will shift the Prodigy consumer online service to a network of World Wide Web servers, allowing it to be accessed by anyone connected to the Internet.

It also said it has begun to provide information about next year's summer Olympic Games in Atlanta to Internet users. It will provide real-time information on results during the Olympic competition (*http://www.atlanta.olympics.org/*).

Sofware to transform the global web

By Louise Kehoe

Advances in Internet software are moving at hyperspeed. A rush of new programs promises to transform the global web of computer networks into a true multimedia communications channel with real-time sound and three-dimensional animation as well as video clips, text and graphics.

Unlike the experimental multimedia Internet transmissions that are currently accessible only by a small minority of users with high-speed data transmission links and powerful workstations, this new generation of software is geared to the personal computer user with a standard telephone line hook-up to the Internet.

WebSpace, from Silicon Graphics, will bring three-dimensional graphics to the World Wide Web, the fastest growing part of the Internet. Users of the program, which works in conjunction with popular Web browsers such as Netscape and Mosaic, will be able to navigate through "virtual worlds" – 3D cities, museums or art galleries, houses or hotels. Someone choosing a holiday destination, for example, might take an online tour of a resort, checking out the swimming pool, choosing a room by gazing out of the window to study the view, or reading the restaurant menu.

The software is expected to be used to create electronic shopping malls where customers can wander around looking at merchandise, move closer to examine products of interest and look at them from every angle.

Beta versions of WebSpace will be available free on the WWW by the end of this month. Silicon Graphics' version of the software will run only on its high performance workstations, but Template Graphics Software will offer versions for use on PCs, Apple Macintosh and other workstations (*http://www.sgi.com*)

Hot Java! from Sun Microsystems is a new type of Web browser. Rather than simply transferring static pages of text and graphics to a user's computer, it also downloads mini-applications programs, or "applets". Using Sun's Java programing language, Web site producers can create their own special purpose programs to greatly enhance the capabilities of the Web, while maintaining compatibility with the standards that have fueled its growth.

Sun demonstrates, for example, a financial planning information site that features a moving share price ticker across the top of the screen, while also tracking the performance of selected stocks. Another possible application might be an up-to-the-minute report on sports results. But the possibilities are as broad as the ingenuity of Web site programers will allow. The Hot Java! browser will give the Web capabilities similar to those of a CD-Rom, but with live data updates and interaction.

Versions of the Hot Java! browser for use with Microsoft's Windows 95 and the Apple Macintosh are scheduled for release in June, via the Internet, free from Sun's Java site (*http://java.sun.com/*).

RealAudio, from Progressive Network, a Microsoft spin-off company, works with existing Web browsers to provide a much improved method of transmitting voice and music via the Internet.

For Internet users accessing the Internet from PCs with standard modems, sound transmissions are today little more than a novelty. It takes about three minutes, for example, to download President Bill Clinton's 24-second "Welcome to the Whitehouse" message, and nearly a minute to wait for the four-second soundbite of Socks, the White House cat, meowing (*http://www.whitehouse.gov/*). RealAudio eliminates the downloading delay, enabling Internet users with multimedia PCs to play back audio in real time, as easily as using a standard tape recorder. It creates the possibility of "audio-on-demand" via the Internet, providing Internet publishers and marketers with a new media type to add to their Web sites. Internet users can look forward to playing music and listening to recorded radio programmes. In turn, Progressive Network has announced three products: the RealAudio Player program for consumers, the RealAudio Studio for Web site content creators, and RealAudio Server for online publishers. Pre-release versions of the programs are now available free on a limited basis. (*http://www.realaudio.com*).

QuickTime Online, from Apple Computer, promises music videos over the Internet. To play back the interactive music files, PC users will need Apple's QuickTime program, which comes in different versions for the Macintosh and PCs running the Windows operating system. Apple is offering the programs for sale online. Downloading videos from the Internet requires patience. Expect to wait nearly 10 minutes for a less-than-two-minute QuickTime video (*http://quicktime.apple.com*).

Unsinkable Dennis Conner

San Diego Yacht Club bends the rules for Stars and Stripes

SPORT

KEITH WHEATLEY

Irrespective of whether Dennis Conner goes on to win his fourth America's Cup, he has probably already pulled off his greatest victory.

Ten days ago he was knocked out of the defender trials at the semi-final stage, victim of keel failure and a slow boat. But then two things happened. Conner was invited back into the regatta and his modestly re-vamped yacht started winning.

Is Conner genuinely unsinkable, or are we watching the kind of legerdemain for which the Cup has long been famous? After all, in the late 19th century Lord Dunraven's accusation that the New York Yacht Club were bending the rules was sufficient provocation to cause the virtual cessation of diplomatic relations between Britain and the US.

Certainly it helps that Conner is playing on his home turf. San Diego is a world away from the stiff correctness of Newport, Rhode Island, and this is the great helmsman's backyard. He was born the son of a commercial fisherman and still occasionally makes play of the fact that he was a poor boy hanging around the yacht club and in his twenties before he could afford to buy a boat of his own.

Everyone was amazed when San Diego Yacht Club tore up the rule book and allowed a beaten semi-finalist back into the fray. Conner professed delighted amazement but few were convinced. A lifetime of favours owed and returned lay behind this benevolent gesture. When they announced the extraordinary changes to the format for the finals, America's Cup '95 officials were unabashed.

"The San Diego Yacht Club can agree to do it a different way than they started out," asserted Chuck Nichols, president of AC '95. "The America's Cup is not like the Super Bowl. We have a duty to get the strongest defender to the start line to beat off a foreign challenger."

The race three days ago between *Stars & Stripes* and *Young America* was a convincing vindication of the yacht club's new position. The two yachts were never more than about 50 yards apart around an 18.5-mile course. Conner won a nail-biting downwind finish, with the two yachts coming to the line on opposite gybes, separated by just one second.

Although the veteran skipper was aboard, as always, his protégé, Paul Cayard, helmed the boat for the entire race. Normally Cayard will start the boat and steer on the upwind legs, Conner taking over for the spinnaker runs. "We didn't plan for me to steer the whole way but it didn't seem fair to hand off the wheel in conditions that needed total concentration," Cayard commented later. "These boats are very tough to steer."

For the past three months Cayard's performance in the 10 minutes of tight, aggressive pre-start jockeying has been crucial in keeping *Stars & Stripes* in the war. In the fickle breezes off San Diego it is vital to choose the side of the course likely to benefit from wind shifts. That means keeping the other guys off it.

The starts are like musical chairs, with two 80ft boats and one chair. "Paul's been able to start us exactly where I tell him all year, and that takes a great deal more talent than most people can understand," praised Tom Whidden, tactician on *Stars & Stripes* and Conner's closest lieutenant for over 15 years.

Onboard television cameras broadcasting the races live on the ESPN cable TV network show the three men to have a relaxed, humorous and totally focused relationship. Cayard is a newcomer to the Conner camp, having joined last December after a fruitless two years trying to raise funds for an Italian campaign.

From 1989 to 1992 he skippered the *Il Moro* team for the late Raul Gardini. Before Christmas he seemed more resigned than enthusiastic about signing up with *Stars & Stripes*. "I don't know what role, if any, I'll have on the yacht but long-term it seems better to be in the Cup than out of it," he said. Since then he has seemed rejuvenated, trusted by Conner (with whom he was never previously close) in a more hands-on role than he could have imagined.

Although he can be prickly and ungracious with public and opponents, it is a sign of the huge loyalty Conner generates within his crews that he can bring a star like Cayard into the boat without creating resentment. "Dennis is a great manager as well as one of the world's greatest sailors," says Whidden. "He knows how to add to the programme without destabilising anything. We're having a lot of fun out there. Morale is up."

Of course, Conner wouldn't be the competitor he is if the coup of getting back into the regatta didn't have the bonus of destablising his most likely opposition in the final, *Team New Zealand*. "People are driving trucks through the rules and the international jury doesn't seem to care," fumed Peter Blake, the head Kiwi. "It seems like you can get away with absolutely anything in this regatta. We might as well send the jury home, since they're no use at all."

Blake argues that the constant re-writing of the Cup regulations, and compromise solutions based on expediency rather than the letter of sailing law, is demeaning to the Cup. An event which ought to be the sport's pinnacle is being unfairly rearranged.

"We thought there were going to be two boats in the defender final, now there are three. Can we even be sure that we'll be racing the winner?" mused an angry Blake. One thing Blake can be certain of is that Dennis Conner does not want him to be sure of *anything*.

Associated Press

Mighty Mary trails Young America in the defender finals off San Diego last Friday

Trust the Trust

Colin Amery looks at the guardian of Britain's architectural soul

Easter is when it all begins. The ropes go up, the druggets (floor coverings) go down, and kettles are boiling all over the land. It is the start of the country house visiting season. This year there is a special edge to everything because the greatest country house impresario in the business, the National Trust, is celebrating its 100th birthday.

There is real cause for celebration. The trust is an enormous success. There is something perfect about those two words, national and trust: put together, they have become Britain's most successful charity. Wealthy widows and widowers all over the kingdom are ready to inscribe those two words in their wills.

Nor have families needed all that much persuasion to hand over their entire patrimony to the gentlemen from the trust; they even throw in enough money to cover running costs – for ever. Even 2m members of the public pay up every year to become members. We trust the trust.

For the last 100 years, when everything else has been transformed by the 20th century hurricane of change, the National Trust has quietly and diligently maintained more than land and houses – it has nurtured the nation's soul. Its founders knew that there were values in Britain worth conserving, values that were almost subliminal because they seemed to represent a shared sense of order rooted in the land.

There is still a feeling at the trust that the world prior to 1914 was a better place. Hierarchies were understood; God was more than likely an Englishman. It is a feeling that a lot of people share but are nervous about articulating. It is a shared understanding, almost an instinct, that many will feel this year as they stand in the well-kept park of a great country house with everything in its place and as it should be, thanks to the National Trust.

Rightly, this view of the trust could be seen as verging on sentiment. There is a danger of sounding like the prime minister struggling to proclaim his affection for England as the land of cheerful cricketers and warm beer.

The founders of the National Trust had a more vital view. When Octavia Hill, Hardwicke Rawnsley and Robert Hunter created the trust a century ago they were inspired by John Ruskin shouting out for the preservation of beauty and salvation through art.

Their early actions show that they had a breadth of vision way beyond the preservation of a feudal status quo. They did not acquire country houses at first. There was *Dinas Oleu*, saved for the beauty of its coast and countryside; the little Clergy House at Alfriston, for its palpable sense of age and local history; Wicken Fen, to conserve its particular natural life. Houses came later. Barrington Court in Somerset was almost the first but I doubt that it was seen then as the forerunner of the string of great houses that war and taxation were to push into the protective arms of the trust.

Inevitably, as the trust has grown it has changed, and size has its drawbacks. But bureaucracy is something to be resisted and the presence of a large workforce of volunteers is a way of saving the trust from official ossification. These volunteers sit on committees at local and national level and many of them do more than deliberate. There are guides and conservators, needlewomen and gardeners, and the youth of the acorn camps. They are as much the National Trust as anyone at head office in London.

If there are drawbacks to size, there are dangers in constant expansion. I think Ruskin would be worried that the trust's properties could become too uniform. There is a sense of sameness developing in the trust, not dissimilar to the uniformity of Marks and Spencer's outlets. The evenness at M&S comes from a belief in quality, and there is something comforting in finding an identical M&S in Aberdeen and Truro. But I do not want that feeling when I visit Hardwicke and Saltram.

I think the uniformity within the National Trust comes from meticulous organisation. A visit to a trust property is in danger of becoming a programmed experience. Visitor routes are *planned* from car park to shop. It is all very discreet and ordered and you can be sure that the "home made" teas will be as evenly good wherever you go.

What can easily be lost when an unlived-in house becomes a show place is a sense of casualness, of accidental visual pleasures, of the muddle of farms and animals. No National Trust conservator can let that sense of ease pervade a house any more, *and it* is a loss. It is to do with real life, not conservation: knowing when to leave things alone and when to let the marks of time show. It is also to do with not making the past something to be commercialised or sentimental.

On the trust's 100th birthday, a gentle warning about the dangers of sanitising the past may be in order. But this is not to detract from the almost *unbelievable* achievements of the century.

We must bless the National Trust for the salvation of the coastline which it has encouraged and carried out through its Enterprise Neptune campaign. And I happen to think that the trust is perfectly placed to campaign in the next century. It is old enough not to be nervous; it speaks for the heart of the nation.

In the next 100 years, as it guards the perfection of its landscapes and houses, it should look at the villages, towns and cities of the kingdom too. To continue to follow Ruskin means that the trust must continue to broaden its beliefs.

History and beauty are everywhere to be found. Now that the National Trust is so well rooted in our consciousness it can achieve anything.

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ARTS

OPENINGS

LONDON
On Wednesday the award-winning Shared Experience stage version of George Eliot's "The Mill on the Floss" comes to the Lyric Hammersmith. Dramatisation is by Helen Edmundson, direction is by Helen Meckler and Polly Teale, the central role of Maggie is played in triplicate by Anne-Marie Duff, Catherine Cusack (left), and Helen Schlesinger.

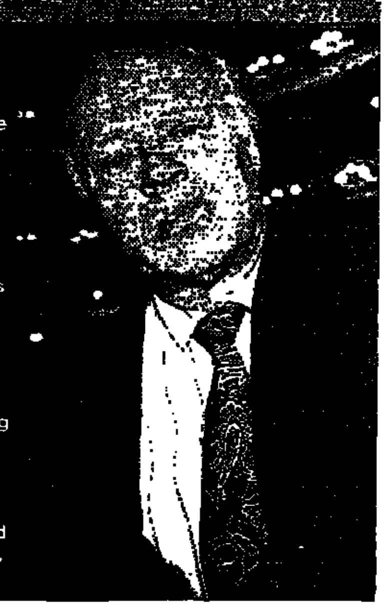
WOLFSBURG
This north German town, the home of Volkswagen, has recently established a niche in the art world - thanks to its splendid new museum, which has a well-funded programme of exhibitions. The latest is the first European showing of "The Italian Metamorphosis 1943-68", opening on Saturday. Originally mounted by the Guggenheim in New York, this survey of Italian postwar arts includes more than 1,000 objects representing painting and sculptures.

LONDON
Papa Wemba (right), the Zairean singer who combines Parisian left bank chic with Afro rhythms, hosts a dance party on the South Bank on Friday. In a rare flash of inspiration, the ballroom of the Royal Festival Hall - the area in front of the bar usually used as an exhibition space - is to be opened up for late night dancing.

VERONA
When Vivaldi was asked to write an opera for the inauguration of Verona's magnificent Teatro Filarmonico in 1732, he chose a libretto by Scipione Maffei about a faithful nymph - "La Fida Ninfa". On Friday the same theatre presents the work's first modern revival, conducted by American baroque specialist Alan Curtis and directed by Pier'Alli. This is likely to be one of the highlights of the Italian opera season.

COPENHAGEN
The summer concert season at *Tivoli Gardens* begins on Thursday with a popular symphony programme, and continues until mid-September with three or four events per week. Highlights in the opening month include a recital by Ivo Pogorelich and a performance of Britten's War Requiem by the Berlin Symphony Orchestra and Radio Chorus under Michael Schoenwandt.

VIENNA
The Musikverein has organised a series of concerts on the theme of "Persecution and Reconciliation", focusing on music by Bartok, Schoenberg and other persecuted composers. Tonight's opening programme is played by the Budapest Festival Orchestra under Ivan Fischer, with piano soloist Andras Schiff. Other artists appearing over the next four weeks include Nikolaus Harnoncourt, Yehudi Menuhin, Ruggero Raimondi and Bernard Haitink (right).



The West End comes to the Wells

The Arts Council needs a new lyric theatre in London, and fast, writes ***Antony Thorncroft***

For well over a decade one of the recurring performances at Sadler's Wells in north London featured a pleading personality asking the audience to give generously towards creating a new stage for the theatre. By some quirk of history, London's leading dance house had a *pint sized stage* which propelled expansive dancers straight into the pit.

The appeals never succeeded and in 1993 it looked as if the tiny stage would disappear, with the theatre, into oblivion. Sadler's Wells lacked *a role – and friends.* The Arts Council was hostile; Islington was poor; rich patrons regarded it as occupying the wrong side of the tracks.

As a receiving house, dependent on bookings, Sadler's Wells occasionally gave exposure to some of the more meretricious of foreign dance companies, to vainglorious theatrical ventures. Performance was patchy; the image muddy. The venue which had given birth to the two Royal Ballet companies and the ENO was almost £500,000 in debt and sinking fast.

In January the bulldozers move in: not to obliterate Sadler's Wells for ever but to create the space for a brand new theatre. In less than three years Sadler's Wells has moved from hopeless case to key player in the future plans for the lyric theatre in London and the UK.

Sadler's Wells was rescued from oblivion largely by Clive Priestley, chairman of the London Arts Board, who found some cash to tide things over. He then persuaded Ian Albery from the West End to take over as chief executive. Albery has cut costs; boosted income from bars, merchandise, etc; and introduced new clients, most notably an annual pantomime. The deficit is down to £200,000. *But the real salvation of* Sadler's Wells is the National Lottery. It will pay for most of the £28.9m needed to build a new Wells.

If the lottery is providing the cash necessity is offering the excuse. The Arts Council requires a new lyric *theatre in London, and fast. The* plan is that Sadler's Wells will close after the Christmas panto and reopen at the end of 1997 – in time to welcome the singers and dancers of Covent Garden who will need a temporary home while the Royal Opera House gets *its* lottery funded overhaul.

In effect the new theatre will welcome back the ghosts of the artists conjured up by Lilian Baylis in the 1920s when she rebuilt Sadler's Wells. These performers went on to found our national dance and opera companies.

It is a romantic story, but there are problems. The Arts Council lottery board is adamant that any recipient of its largesse shows its mettle by raising some matching money. Sadler's Wells must quickly deliver almost £8m through its own efforts. In the event, so urgent is the need to start work on the new venue that in May it is likely that the Arts Council will approve some lottery money to pay for a feasibility study and the waggon will roll.

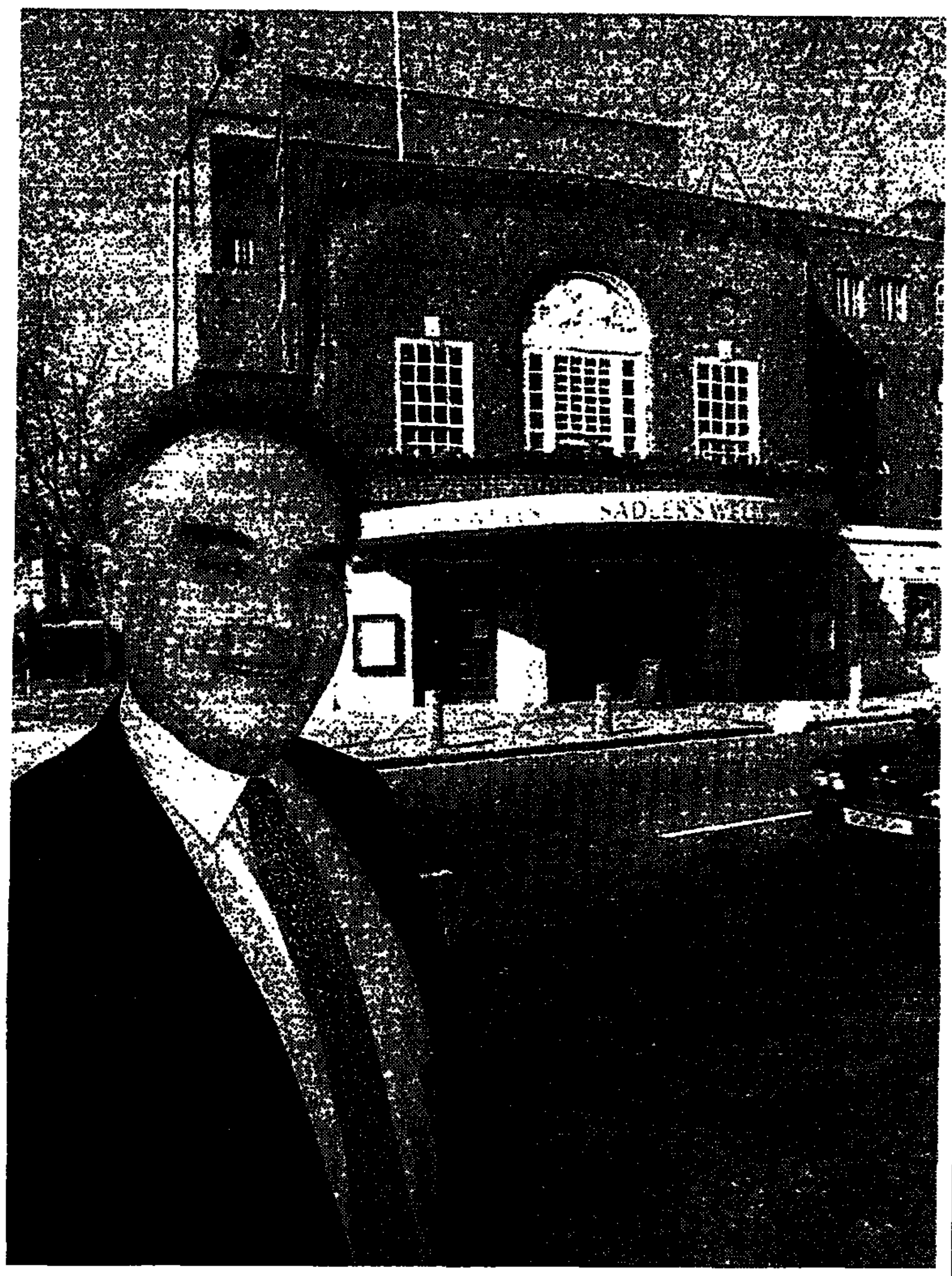
Another obstacle is that Ian Albery is not prepared to be walked over by the Royal Opera House. If the price of lottery money is giving Covent Garden's companies temporary accommodation, he will allow the Royal Opera and Ballet short seasons at Sadler's Wells for up to 30 weeks a year. But he will keep control of the theatre, and during *its own rebuilding he anticipates* maintaining contact with the regular visiting companies by renting a West End theatre for them.

It is ironic that, after years of being put down by the Arts Council, Sadler's Wells should suddenly *emerge as a favourite son. And not* only as a temporary home for Covent Garden – perhaps the ENO as well. The new Sadler's Wells neatly solves the perennial row over a national dance house. Albery maintains that his new flexible theatre, which can seat 1,000 or 1,600, will not be such a house; but it will be the centrepiece of a handful of venues which will service the demand for dance – the Coliseum will give up opera for around 12 weeks each year and welcome big companies commanding 2,000 plus audiences; The Place and Riverside will cope, as now, with smaller troupes. And Sadler's Wells will the continue to host the mainstream. Perhaps, Albery muses, around the year 2005, if the dance audience merits it, a new, purpose built, dance theatre may emerge.

In the meantime he fusses over the designs for the new Wells. The original plans were savaged by English Heritage, perhaps irritated that a listed building will disappear. The new theatre is an impressive mix of terraced Georgian pastiche to suit the neighbourhood, and a striking wall of glass at the entrance, which can be switched instantly from transparent to opaque. The glass can be coloured, so, if a flamenco group is appearing, the front of the theatre will glow red; if Lindsay Kemp, pink, etc.

Passers-by will see art works in the foyer and Albery has plans to suspend works of art 50ft wide over the audience, visual tasters of the spectacles to follow on stage. The ceilings and walls of the auditorium will be mobile and also able to change colour at a switch. The stage, of course, will be enormous, with perfect sight lines.

Albery himself turns in a good performance – but then he has a background as a West End show*man. What makes all this likely is* that it fits in with the broader plans of the Arts Council which, like the London Arts Board, is making cooing noises about Sadler's Wells. That is the joy of lottery funding – if the will is there it can turn every*thing, even Sadler's Wells, into* gold.



Chief executive Ian Albery outside Sadler's Wells, the beleaguered theatre which he hopes to turn from hopeless case to key player with the help of lottery cash

Theatre in London

Our Boys

Any one of the injured soldiers in *Our Boys*, Jonathan Lewis's superbly written, very funny play about life in a military hospital, could be the subject of a tragedy. *There is Keith, the Orangeman* whose RUC father was blown away by a gunman, but who joined the army "because it was a job" and who now suffers from a mysterious dead leg and a bitter attitude; there is Parry, the soldier who lost his *toes to frostbite after following* incompetent orders, but is so scared of being thrown out onto "civvy street" that he is prepared to compromise his honour and his mates to stay in the army; there is Ian, the squaddie shot in the head in Belfast and, when we first see him, pathetically incapacitated in a wheelchair.

But Lewis's intelligent play, now at the Donmar Warehouse, works by inversion and springs clever surprises. His play is fuelled by fury at *a system that demands complete* loyalty, but spits people out when they are maimed by their duty, and that gives inadequate psychiatric support to soldiers severely traumatised by war. Yet, where you expect sorrow, he gives you comedy, *and where you expect didacti*cism, he employs neat plot twists to make his points.

Much of the play is taken up with amiable humour and laddish banter, and not a great deal really happens. A potential officer moves into the hospital bay (presumably the Lewis figure, since the play is based on his own experience), raising the spectre of "us and them". The lads play a cruel prank on one soldier with romantic illusions. A birthday party for Ian goes wrong *when they give him a stupidly* inappropriate present. And an inoffensive but rule-breaking drinking game provokes a crisis that reveals the desperation of one character.

In among the witticisms and comic carry on, there are some ter*ribly poignant scenes: few would* forget the heartbreaking sight of the strapping Ian cramming birthday cake clumsily into his mouth, like a toddler (a wonderful performance from Jake Wood). But – and this is Lewis's most telling inversion – Ian, the most obvious physical focus for our sympathy, is not the most damaged man.

It is Joe, the charming, boyish, confident leader of the bunch, who seems to be physically least maimed, who is really scarred for *life.* A horseguard injured in the Hyde Park bomb, Joe conceals a deep psychological wound beneath his bonhomie. Lloyd Owen's excellent performance brings off beautifully the play's change of gear at the end, when Joe finally reveals his pain and describes, with terrible vividness, the trauma of witnessing his colleague's appalling death. This, the play's furious sting in the tail, is skilfully engineered.

Sarah Hemming

Luciano Pavarotti: Un ballo in maschera

Opera-singers – even great tenors – do not belong in football stadiums. It is always a joy to hear Luciano Pavarotti at Covent Garden, a middle-sized opera-house by international standards, and meet the voice as nature intended, rather than via microphones and sound-systems.

Not that Pavarotti has much need of loudspeakers. How this voice projects! Although he is not classed as a heavy Italian tenor, Pavarotti can still seem to produce more volume than larger voices standing next to him (I recall sitting in the back row of the amphitheatre when he came to sing in *Aida* and thinking he sounded a couple of feet away). Even with his 60th birthday coming up, the voice is as glorious as ever and moves from note to note with a liquid elegance that few others try to equal.

Over the years Verdi's *Un ballo in maschera* has been one of the operas he has kept at his side, not just because the music lies well for him, but also because audiences want to see him in an opera where the tenor holds centre stage. Pavar*otti has sung it at the Royal Opera* House once a decade: in 1976, fresh, bright-eyed, full of bonhomie; in 1981, more serious and tragic (a fraught revival, when he was paired with Caballé).

The 1995 Pavarotti is still vocally in his prime, but has decided he wants to make Sweden's Gustavus III more of a character than he did before. Alongside phrases which are carefully shaped (a fine last aria despite a frog in his throat) are others where he has become cavalier *about the notes, putting the* music across with the vocal equivalent of a characterful flourish. In general, Pavarotti gives the impression of enjoying himself hugely on stage, compensating for a lack of mobility by acting away to his heart's content on the spot.

Faced with this larger-than-life figure swathed in voluminous cloaks of varied hues, the other principals seem to have taken fright and only dared to creep gingerly towards the limelight when the tenor was not around. Deborah Voigt, in her Covent Garden debut, made no impression at all until the last act, when she started to sing with more confidence; but even then her well-schooled, bright, American soprano lacked passion and involvement. Giorgio Zancanaro's Anckarström was a disappointment, devoid of personality, lacklustre of voice, despite trying to deliver a knock-out punch in his last-act aria.

Florence Quivar played Madame Arvidson without melodrama, but it was left to Lillian Watson's perky Oscar, eyes and top notes a-twinkle, to remind us that these *should be five roles with which top* international singers cannot go wrong. Edward Downes, soon to spearhead the Royal Opera's Verdi festival, has become a more idiomatic Verdi conductor than some young native Italians these days. *On May 1 the cast will be decamp*ing to give a concert performance *in the Royal Albert Hall – not quite* a football stadium, though probably as close as central London can get.

Richard Fairman

INTERNATIONAL

ARTS GUIDE

■ BERLIN

GALLERIES
Altes Museum Tel: (030) 203 55 0
● Munch and Germany: exhibition of early works by Norwegian artist Edvard Munch and German artists that were influenced by him; to Apr 23
Deutsches Historische Tel: (030) 215 020
● Art from the GDR 1949-1990: exhibition that looks at politically commissioned art in the old German Democratic Republic; to Apr 18
OPERA/BALLET
Deutsche Oper Tel: (030) 34384-01
● Carmen, Flamenco: guest performance by the Ballet Teatro Espanol di Rafael Aguilar; 8pm; Apr 19, 20, 21, 22
● Onegin: music by Tchaikovsky. Premiere at this venue, choreographed by John Cranko, produced by Reid Anderson and Jane Bourne; 7.30pm; Apr 18

■ FRANKFURT

OPERA/BALLET
Alte Oper Tel: (069) 1340 400
● Gräfin Mariza: by Kálmán. Premiere of the Budapest Opera Theatre production; 8pm; to Apr 22

■ LONDON

CONCERTS
Barbican Tel: (0171) 638 8891
● The orchestra of the Royal Opera House: with soprano Angela Gheorghiu. Christian Thielemann conducts Wagner, Mozart and Strauss; 7.30pm; Apr 24
Queen Elizabeth Hall Tel: (0171) 928 8800
● The London Philharmonic: with the Hilliard Ensemble and the London Philharmonic Choir. Roger Norrington conducts Pärt; 7.30pm; Apr 23
Royal Festival Hall Tel: (0171) 928 8800
● Lazar Berman: pianist plays Beethoven, Chopin, Janáček and Liszt; 3.45pm; Apr 23
● Royal Philharmonic Orchestra: Yuri Temirkanov conducts Shostakovich's "Symphony No.1" and Tchaikovsky's "Symphony No.5"; 7.30pm; Apr 22
● The London Philharmonic: a concert performance of Gilbert and Sullivan's "Iolanthe". With conductor Roger Norrington and includes soloists Alison Hagley and Sarah Walker; 7.30pm; Apr 18
● Yakov Kreizberg: conducts the Bournemouth Symphony Orchestra and pianist John Lill to play Debussy, Stravinsky, Krenek and Beethoven; 7.30pm; Apr 20

GALLERIES
British Museum Tel: (0171) 636 1555
● Byzantium: treasures of Byzantine art and culture from British collections; to Apr 23 (not Sun)
Hayward Tel: (0171) 261 0127
● Yves Klein: more than 110 works *conveying the full range of his* output from paintings and sculpture to installations, events, architectural schemes to stage and film scenarios; to Apr 23

OPERA/BALLET
English National Opera Tel: (0171) 632 8300
● Don Giovanni: a new production of Mozart's opera. House debuts for director Guy Joosten and conductor Markus Stenz; 7pm; Apr 20, 22
Royal Opera House Tel: (0171) 304 4000
● Peter Grimes: by Britten. Directed by Elijah Moshinsky and conducted by Edward Downes; 7.30pm; Apr 19, 22
● The Prince of the Pagodas: by Britten. A Royal Ballet production choreographed by Kenneth MacMillan opens a Benjamin Britten "mini festival" at the Royal Opera; 7.30pm; Apr 20

■ NEW YORK

CONCERTS
Alice Tully Hall Tel: (212) 875 5050
● Briggite Fassbaender: mezzo-soprano with pianist Jean-Yves Thibaudet plays Mahler, Reimann, Liszt, Mihaud and Weill; 8pm; Apr 23 (2.30pm)
● New York Philharmonic: with conductor/harpsichordist Leonard Slatkin and mezzo-soprano Frederica von Stade plays Poulenc, Debussy, Argento and Copland; 8pm; Apr 20, 21 (2.30pm)
Carnegie Hall Tel: (212) 247 7800
● Jessye Norman: soprano in her only New York recital of the season; 8pm; Apr 18
● London Symphony Orchestra: with violinist Anne-Sophie Mutter *and soprano Laura Aikin.* Pierre Boulez conducts Ravel, Webern, Berg and Boulez; 8pm; Apr 22
● London Symphony Orchestra: with soprano Maria Ewing. Pierre Boulez conducts Boulez, Messiaen and Stravinsky; 3pm; Apr 23
● San Francisco Symphony Orchestra: Herbert Blomstedt conducts Nielsen, Sibelius and Strauss; 8pm; Apr 19
● San Francisco Symphony Orchestra: with pianist Peter Serkin. Herbert Blomstedt conducts Beethoven and Schubert; 8pm; Apr 20

GALLERIES
Metropolitan
● Nadar: the first major survey of photographs by Félix Tournachon *Nadar (1820-1910), the celebrated* portraitist of mid-19th century Paris. The exhibition comprises of approximately 100 vintage prints; to Jul 9
Museum of Modern Art Tel: (212) 708 9480
● Helen Chadwick: Bad Blooms: the English artist's most recent photographic series comprising of 13 large photographs of flowers in a variety of viscous liquids; to Jul 1

OPERA/BALLET
Metropolitan Tel: (212) 362 6000
● Parsifal: by Wagner. Produced by Otto Schenk, conducted by James Levine; 6.45pm; Apr 19, 22 (12.00pm)
● The Ghosts of Versailles: by Corigliano. Produced by Colin Graham, conducted by James Levine; 8pm; Apr 18, 21

■ PARIS

CONCERTS
Châtelet Tel: (1) 40 28 28 40
● Orchestra of the Deutsche Oper Berlin: with pianist Elena Bashkirova, soprano Alessandra Marc and mezzo-soprano Uta Priew. Daniel Barenboim conducts Beethoven's *"9th Symphony"; 8pm;* Apr 21
Champs Elysées Tel: (1) 49 52 50 50
● National Orchestra of France: with violinist Sarah Chang and conductor Charles Dutoit plays Ravel, Lalo and Stravinsky; 8.30pm; Apr 20
Salle Pleyel Tel: (1) 45 63 88 73
● Radio France Philharmonic Orchestra: with soprano Birgit Remmert, and bass Bryn Terfel. Richard Hickox conducts Mendelssohn; 8.30pm; Apr 21

GALLERIES
Centre Georges Pompidou Tel: (1) 42 77 12 33
● Constantin Brancusi: first French retrospective of the Romanian born sculptor and painter who spent 50 years in France. The show offers a chronological and thematic look at 103 sculptures, 38 drawings and 55 photographs; to Aug 21

OPERA/BALLET
Opéra National de Paris, Bastille Tel: (1) 47 42 57 50
● Iphigénie en Tauride: by Gluck. Conducted by Graeme Jenkins, produced by Achim Freyer. Soloists include Carol Vaness, Anthony Michaels-Moore and Keith Lewis; 7.30pm; Apr 18, 20, 21, 24
● Lucia di Lammermoor: by Donizetti. A new production by Andrei Serban. Maurizio Benini and Roberto Abbado (from April) conduct the orchestra and chorus of the *Paris National Opera;* 7.30pm; Apr 20

THEATRE
Petit Odéon Tel: (1) 44 412 36 36
● Cat and Mouse (Sheep): written and directed by Gregory Motton, a satirical look at present–day England. The first in a season of plays in English; 6.30pm; to Apr 23

■ WASHINGTON

CONCERTS
Kennedy Center Tel: (202) 467 4600
● National Symphony Orchestra: with conductor/violinist Iona Brown plays Strauss, Haydn, Vaughan Williams and Mozart; 8.30pm; Apr 18 (7pm)
● National Symphony Orchestra: with conductor/violinist Iona Brown plays Mozart, Bach, Barber and Handel; 8.30pm; Apr 20, 21, 22
● St. Luke's Orchestra: with pianist Elizabeth Mann. André Previn *conducts Prokofiev, Mozart and* Beethoven; 3pm; Apr 23

GALLERIES
National Gallery Tel: (202) 737 4215
● The Glory of Venice: exhibition presented by the National Gallery of Art and the Royal Academy of Arts, London containing works by 18th century Venetian artists. Included are paintings, drawings, pastels, prints, illustrated books and sculptures by artists such as Canaletto, Piranesi, Piazzetta and Guardi; to Apr 23

WORLD SERVICE

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European Money Wheel
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17.30
Financial Times Business Tonight

Midnight
Financial Times Business Tonight

Andrew Gowers finds companies around the UK experiencing varied fortunes

Snapshots of a rocky recovery

The man from Trafalgar House peers out of the window. "*Someone's* enjoying a recovery," says Jeremy Beeton, managing director of Cleveland Structural Engineering, a Trafalgar subsidiary. "I'm just not sure who it is."

He is not joking. His company, which has been turning out monumental steel structures at Darlington, County Durham, for more than a century, has a fight on its hands even in recovery and a future that seems less than assured. Now working on a bridge for Hong Kong, its UK plant is operating at only 60 per cent of capacity; its workforce is down to 700 from a 1990s peak of 1,100; and Beeton is wondering where to find the next job once the Hong Kong business winds down.

There will be work – collaborations in the Far East, even the odd picking in the UK construction business. But too often, Beeton says, "it's cheaper for me to decide not to take on a job and tell a hundred workers to go home than it is to take on the business and lose money... I worry about what the guy who comes to work on his bicycle is going to do."

A few miles down the road in Middlesbrough, on a bleak post-industrial site on the bank of the river Tees, Colin Scarsi is untroubled by such concerns. His Green Tyre Company, which manufactures "environmentally friendly" tubeless tyres out of microcellular polyurethane, is just three years old but is selling in 22 countries and cannot ship its wares fast enough.

A new production line will increase output more than sevenfold – all with a workforce of 19 that is unlikely to rise much. Scarsi, who makes up to 25 foreign trips a year, sleeps in the factory and seeks to infect staff with his enthusiasm. "If we'd only tried to scratch away in the UK, we couldn't pay the rent. We needed a bigger market."

Many contrasts

Two snapshots, from a two-week trip around England talking to businesses of all shapes, sizes and sectors; two extremes of the patchy recovery the UK has been exhorted to enjoy for the past two years.

My fortnight revealed many such contrasts: at one end, retailers and consumer goods manufacturers in hand-to-hand combat over a listless domestic market; at the other, engineering companies confidently investing in long-term relationships with customers at home and abroad. In some places, businessmen are convinced they are witnessing the start of a new golden age for UK manufacturing and exporting, blessed with low interest rates, low inflation, and competitive and compliant labour; in others, they voice all the old worries about UK companies' reputed focus on the short term at the expense of the long, and fears about Britain's economic place in the world.

Aaron Jones is both a doubter and a believer. Head of operations at Massey Ferguson, the tractor manufacturer at Coventry in the West Midlands, he is emerging from the worst worldwide agricultural downturn in 60 years.

Between 1990 and 1992, the company shed a third of its white-collar staff and one in eight of its factory workers. This year, production – mainly for export – will be 50 per cent above the 1992 low, and the company's new owner, Agco of the US, is considering a £15m ($24m) investment in a new tractor range.

Jones cannot quite believe his luck. "Since things started picking up in the summer of '93, it's been relentless," he says. "The big question in people's minds is: how long can this go on? We're all sitting round and saying: 'It can't go on like this, it *can't*.'"

His caution is not just rhetorical. He has been recruiting workers again, but initially only on three-month contracts. He is determined to avoid contributing to another boom-bust cycle. "The worst thing would be for me to recruit like stink and then lay off everybody again when things turn down."

A similar hesitancy is in evidence 60 miles north at Cegelec, the Stoke-on-Trent systems engineer. Once owned by GEC and now by Alcatel Alsthom of France, its business fluctuates with manufacturing investment. It is now beginning – gingerly – to think about planning for growth. But margins are tight, and the competition intense.

"The marketplace is difficult," says John Seed, managing director. "People talk about the end of the recession. But there simply aren't people building whole new green-field sites looking for multi-million pound investments. Instead, people are investing in refurbishment and one-off purchases.

"They need to be convinced that growth can be sustained, that by making an investment you will sustain growth, not create something that in 1998 will seem like another white elephant."

Short-termism

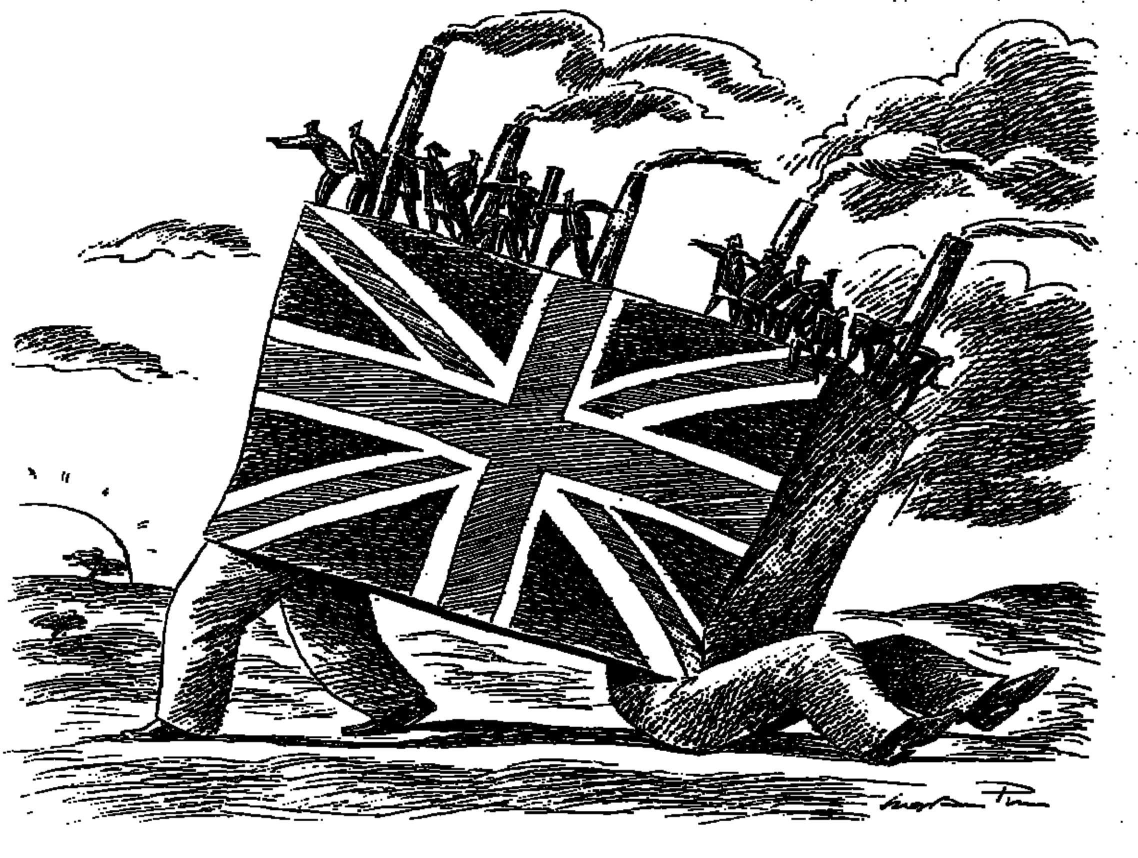
Everywhere the pressure for quick returns remains acute. In spite of the Bank of England's best efforts, the spectre of short-termism continues to stalk the land. Over dinner in Birmingham, senior West Midlands industrialists explain their reluctance to make long-term commitments. They complain of skill shortages, of pressure on margins and prices from soaring raw material costs, of the next inflation that they fear is just round the corner.

"When I'm making an investment, I would expect a full return in no more than three years," says one. "Nobody trusts the scenario beyond that – on inflation, or finding trained workers, or infrastructure, or anything. Given past experience, who can blame them?"

Such short time horizons can in part be explained by the peculiarities of the market. Businesses remark on the patchiness of demand, and the denuded state of their forward order-books. "What strikes me is the market's volatility," says Robert Davies, owner of City Engineering, a Bristol-based sheet metal fabricator. "Month to month and week to week, it's like a tap turned on and off."

Another universal preoccupation is raw materials. There can be no business in Britain that has not felt the upward pressure on international commodity prices: rubber, aluminium and some plastics up by 100 per cent in a year; steel delivery times as long as 26 weeks.

"It's absolutely frightening," says John Laycock, managing director of Brandon Hire, an acquisitive west country equipment hire company with a sideline in trading in nuts and bolts. "Last summer there was no problem in getting stocks. Now there are terrific shortages and delivery delays. Bolts went up by 9 per cent in November, another 35 per cent in January, and there's another rise coming in May."



Encouraging signs

How, then, does this recovery differ from previous turns of the UK post-war economic cycle? Notwithstanding the doubts, my fortnight yielded some encouraging signs.

One is the number of companies – small businesses included – involved in exporting, and squaring up to international competition. The Green Tyre Company of Middlesbrough is an example. So, 30 or so miles north at Sunderland, is Edwin Trisk Systems, a small manufacturer of paint drying machines.

Founded in 1988 with export markets in mind, Trisk now has annual turnover of £6m and sells to 40 countries. Robert Kilsby, the managing director, who turned the company round after it ran into trouble in 1992, says he has been helped by sterling's exit from the European exchange rate mechanism, and by the UK's competitive labour and production costs. But he also believes small companies no longer see selling abroad as any great mystery: "The world has shrunk so much in the last 10 years."

In Newcastle upon Tyne, Metal Spinners, an older fabrication company, bears him out. "Before, we used to export only when people came along and placed an order," says Cliff Blake, managing director. "Now we look to make exports a definite percentage of our business. We're not scared any longer to jump on a plane and go to Germany."

Exporting is one way for companies to gain protection against the domestic cycle. Another is cost control. Raw material costs must be passed on or offset by cuts elsewhere: wage rises more than paid for by productivity improvements.

"Cost-cutting is no longer a one-off," says Steve Willcox, chief executive of Avon Rubber, a Wiltshire-based tyre and automotive components manufacturer. "We have to continue to find ways of eliminating costs that do not add value to the product," he says. "We have improvement teams now in all of our factories all the time."

As important, though, is the fact that many UK businesses seem more focused on what they should and should not be doing than they were 10 or even five years ago.

Partly this reflects the shrinkage of conglomerates and the rash of specialised, professionally run management buy-outs spun off from them in the late 1980s. It also reflects "outsourcing" by big companies that realise it can be more cost-effective to buy a service from a smaller specialist provider than to perform the task themselves.

Some of the UK's fastest growing companies are involved in this trend: Colleagues, for example, is a recently floated direct marketing company based in Bath. Started eight years ago, it generated turnover of £36m last year in return for relieving companies of the hassle of organising giant mail shots and direct response campaigns. "Our main competitors are the internal marketing departments of our clients," says James Robson, chairman. "We broaden the range of suppliers available. And because we buy such things as printing services in large volumes, we can do it very cost-effectively."

Companies like Robson's operate by definition on an international scale. Their clients are often big multinational companies looking for long-term relationships with a relatively small number of specialist service providers. They see the UK not as their target but as a strong base from which to serve the single European market.

They are not wholly in favour of the European Union, however: they are terrified of the possibility of higher social costs imposed from Brussels. A large majority of the businessmen I spoke to strongly supported the government's opt-out from the social chapter. It was the only party political point any of them made with any force: otherwise, most seemed to treat the idea of a Labour government with something approaching equanimity.

Parkside, the Leeds packaging producer, is another company with plans predicated on consolidating close alliances with a group of large multinationals. "Mars, Nestlé, BSN, Coca-Cola – these people are all thinking pan-European," says Geoffrey Stewart, managing director. "To work with them you have to be able to deliver labels to wherever the Coke is being bottled. In time that may mean building manufacturing plants abroad."

Such relationships are vital to generate confidence to invest. "Our machinery is made for volume. That means forging alliances with manufacturers who pay on time."

The motor components industry is probably the most advanced example of this approach. In their drive to cut costs and gain economies of scale, car manufacturers are simultaneously intensifying their relationships with suppliers and reducing the number of component companies they deal with.

Avon Rubber, mainly a tyre producer 10 years ago, now has 45 per cent of its turnover in vehicle components such as hoses, and is building close partnerships with the companies it supplies. Much of this business is on long-term contracts with built-in volume increases and price reductions, and the customer works with Avon on reducing costs; to some, it happily opens its books to reveal the profit margin it plans to make on their business. "You wouldn't necessarily hand over the credit card on the first date," says Steve Willcox, chief executive. "But we expect our customers to allow us to make a decent return."

Another old-established company investing to increase its share of this business is Wagon Industrial Holdings of Telford, Shropshire. John Hudson, chief executive, says it entails longer-term thinking than UK industry has frequently been credited with, and detects the influence of foreign investors in Britain at work. "Many of the end users are saying: 'You either work with us on a long-term partnership basis or not at all.' As a result, much of our investment writes itself. If a car company that we are supplying doubles demand, we just have to put in the capacity."

Japanese investment, he says, has affected attitudes throughout the UK car industry. "Car companies here used to have three to four suppliers for everything, as an insurance against bad industrial relations. Japanese-style single-supplier partnerships give us greater volume in return for guaranteeing supply."

Hudson is not alone in identifying a change in industrial attitudes, and in attributing it in part to inward investment in Britain over the past decade. "Ten years ago people in the engineering industry were intensely suspicious of foreign investment," says a Birmingham industrialist. "Now these same people pull out their braces with pride and boast that they have a contract to supply Toyota in Burnaston."

If the optimists are to be believed, such confidence could prove infectious. But there will be casualties along the way. And the sceptics are wondering how long the current propitious circumstances can continue, or how many UK companies are investing heavily or cleverly enough to merit the title "world class" in five years' time.

LETTERS TO THE EDITOR

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We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). Translation may be available for letters written in the main international languages.

Limits to EU works council agreement

From Mr Emilo Gabaglio.

Sir, Zygmunt Tyskiewicz of Unice, the pan-European employers' federation (Letters, April 13), in querying elements of Robert Taylor's assessment of the European works council directive, is right to say that the subsidiary requirements of the European works councils directive "need never be applied" if companies conclude an agreement on consulting and informing their entire European workforce.

Trade unions across Europe, grouped through their European industry committees, affiliated to the European Trade Union Confederation, have demonstrated their willingness to enter into such negotiations. A growing number of agreements is testament to this.

However, the directive's article 13 does not give *carte blanche* to validate any arrangement that an employer may have decided upon. It refers only to agreements which are negotiated between an employee representation body and central management, which provide for transnational information and consultation, and which cover the entire workforce.

If these conditions are not satisfied, the proper step will be for 100 employees (or their representatives) in at least two member states to request the establishment of a special negotiating body (article 5.1). If the employer refuses to co-operate, the legal challenge will be made in the courts of the country where the European headquarters of the company is located.

Presumably, Unice is not claiming that the directive provides for the employer to be judge and jury on this matter?

Emilo Gabaglio,
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A mistaken act of faith

From Mr John Parry.

Sir, Alan Greene (Letters, April 3) exhorts us to pin our faith to the Commonwealth, where vitality and tolerance rule. Has he been to Nigeria or Sierra Leone recently? I think I would prefer to have a ring fence built around Europe and drive (on the right) to the bank to cash my D-Marks in security rather than try the same trip to the bank in, say, Banjul.

As for the pound being pegged to the dollar, Mr Greene will soon be getting DM1 for £1 when he goes to Germany and won't even be able to buy his FT.

Little England or Great Britain? It's no contest is it?

John Parry,
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Accounting move should increase confidence in value of hotel shares

From Mr R.N. Chisman.

Sir, Your Lex column discusses an initiative to improve accounting for hotels in the UK ("UK hotels", April 7). This is a sensible initiative for our industry, but there is one misconception that may require to be corrected.

The initiative arose from the recognition by a number of financial directors in the industry that, while the accounts of hotels may be produced within recognised accounting standards, there was a lack of credibility centred on areas like capital expenditure, depreciation, repairs and maintenance, and property valuations.

The problems are largely of perception. For example, at Stakis, we aim to produce reliable accounts and endeavour to explain them comprehensively to the investment community.

I believe that the issue has been grasped by Stakis and Forte, which are funding a project to be driven by Pannell Kerr Foster, a leading firm on accounting matters within the hotel industry. A project team has been set up which includes representation from the investment community and auditing practices but not the hotel industry.

Hotel financial directors will be consulted but it was felt important that, given that the aim is to build credibility, it should be clearly seen that the industry is being given guidance and is not making its own rules.

The result of the initiative, due later this year, will offer guidance on recommended practice in these areas of accounting. I have a concern, exacerbated by your article, that it is taken as a foregone conclusion that hotel companies will depreciate their properties as a result of this initiative. The parallel with food retailers was cited.

It is not a foregone conclusion that this will be the case, although it is one possibility. What is important is not that any particular accounting policy be adopted but that the playing field be levelled so that there is clear understanding between the producers of accounts and the users that the recommended practice gives a true and fair view. With adequate transparency of explanation, the investment community will then be able to have greater confidence in its valuations of hotel company shares.

As was mentioned in the Lex article, none of this should alter the share prices of hotel companies, but it should remove some uncertainties and, if there are any left, it should expose those companies which have suspect practices.

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For and against extending Nato to central European countries

From Dr A.H. Hermann.

Sir, If Ian Davidson is right in his defeatist view ("Nato looks east", April 12), we had all better start buying warm clothing for the Siberian gulags. Davidson suggests that the Russians, in the absence of a US nuclear umbrella, might roll on to the Elbe if central European countries become part of Nato. But surely they will do so even faster if Nato, by not extending to the east, gives them a green light to do so. And in that case, they would not stop there. Their superiority in conventional forces will grow as they absorb the Polish, Czech, Slovak and Hungarian armies and industries.

Fortunately, the "Little Europe" view Davidson adopts – French model 1995 – is absurdly simplistic. In reality, and in spite of their present rhetorical bombast, the Russians will be glad to have a peaceful frontier in the west, to be able to concentrate on the defence against the Islamic tribes in the south and the Chinese superpower in the far east.

A.H. Hermann,
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From Mr Frank Blackaby.

Sir, Ian Davidson is right to warn us about the dangers of extending Nato membership to states which were once members of the Warsaw pact. It would in all probability wreck the one treaty which sets a limit to Russia's conventional military forces.

The treaty on conventional forces in Europe was a "bloc-to-bloc" treaty. It was designed to provide a kind of balance between Nato and Warsaw pact conventional forces in Europe.

It is obvious that if a number of the old Warsaw pact states moves explicitly to the other side, so that their military capability is added to that of Nato, Russia would be fully justified in saying that the treaty was no longer valid. What would happen then?

The limits on Russian conventional military capability would be removed. We would be back to competitive rearmament in Europe, with a new dividing line. We would have recreated the Russian threat. Is it possible that our politicians could be so silly?

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FINANCIAL TIMES
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Yen relief must begin at home

For months, the Japanese government has portrayed itself as the victim of the vagaries of the foreign currency markets and the neglectful policies of its western allies, especially the US. That Japan is the country with the most to lose from a failure to curb the yen is not in doubt. But a government that merely gestures at its problems at home can hardly expect those abroad to behave any differently.

By rights, the attempts by the Japanese authorities to convince investors of their desire to see a lower yen should stand a better chance of success than corresponding US efforts. The benign short-term effects of a declining dollar for the US domestic economy mean there is relatively little support for decisive policies to reverse the trend. In Japan, by contrast, the yen's near 22 per cent rise against the dollar since the start of the year is now threatening to send the domestic economy into a tailspin.

Exporters – who complain the loudest – may be able to cope with the effects of the currency's appreciation rather better than they let on. Yet when set against a backdrop of weak consumption, falling asset prices and the Kobe earthquake, further cost-cutting in the traded sector could well mean a fourth year of meagre, or even negative, growth in the Japanese economy this year.

Despite their clear interest in pushing down the yen, neither the Bank of Japan nor the ruling coalition has managed so far to convince investors that it is prepared to do more than talk about it. The central bank relented a little last week with a long overdue reduction in the official discount rate. Yet rather than symbolising a decisive shift in economic policy, it mainly served to minimise the damage of further government pusillanimity.

Even at the historically low rate of 1 per cent, Japanese interest rate policy remains little looser, in real terms, than in the US. The real interest rate is probably close to 2½ per cent, compared with a real US federal funds rate of a little over 3 per cent. While doubtless reluctant to lower rates any further, the Bank of Japan ought nonetheless to commit itself to intervening, without limit, against the yen. Yet even this will achieve little until the government acts to boost the economy through public works programmes and, crucially, much faster deregulation.

The long-awaited package of measures to free up the economy announced at the end of last month failed to deliver the second of these: the emergency economic package unveiled by Mr Masayoshi Takemura, the finance minister, offered an equally weak promise of the first. The government says it will speed up implementation of both the five-year deregulation plan and a 10-year, Y630,000bn public works programme, but has given little indication of how, or when, either will occur. More detail, and more determination, will be required if the Japanese government is to gain the credibility it needs, either among investors or from its allies.

School strikes

Year after year Britain's National Union of Teachers, the largest teachers' union, brings its profession into disrepute. This year's annual conference at Blackpool has plumbed new depths. A small minority hounded Mr David Blunkett, shadow education secretary, in a disgraceful fashion. But a majority of delegates may do the cause of education greater harm today by supporting strikes in support of smaller class sizes.

Smaller classes are desirable, but teachers who believe that strikes are an appropriate way to campaign for them deserve outright condemnation. Strikes are also poor strategy, since they can only damage the cause the delegates claim to espouse.

Mr John Major and Mrs Gillian Shephard, education secretary, have all but admitted that the education budget has been squeezed too tightly, and that it can expect to fare better next year. Mrs Shephard has also taken significant steps towards teachers on non-monetary issues such as testing and the curriculum.

Strikes will bitterly divide the teaching profession, plunge state schools into months of chaos, and destroy the united front of parents, teachers and governors that has brought ministers to realise that they cannot continue to expect local education authorities to meet new responsibilities without adequate government funding.

Months of disruption in schools will also push even further into the distance the three other crucial education challenges which Mrs Shephard must confront. She must implement the government's pledge to introduce nursery provision for all four-year-olds whose parents want it. She needs to tackle the problem of failing secondary schools. And she cannot continue to ignore reform of post-18 student finance.

A report from the Organisation for Economic Co-operation and Development last week highlighted a critical aspect of the funding problem. The UK is close to the OECD average in its education spending as a share of gross domestic product. Yet it is at the bottom of the OECD league in state spending on early childhood education, while spending far more per head on post-18 education than any other EU country.

This is a serious misallocation of resources. Students make no contribution to the cost of their tuition. They can and should do so through some form of "graduate tax". Some form of repayment of this kind would help make state-funded nursery education sustainable. As an immediate priority, Mrs Shephard should invite a range of public and private providers to submit schemes and engage in local pilots.

A small number of secondary schools, mainly in inner-city areas, are chronically failing. Mrs Shephard has been reluctant to use her statutory powers to replace their managers, doubtless for fear of upsetting the teachers' unions. But that is something she will not be able to avoid, however sound her policy.

Nuclear powers

The US has mustered a formidable army in its effort to win an indefinite extension to the Nuclear Non-Proliferation Treaty. As the month-long conference to debate the future of the NPT opens in New York, the US and other nuclear weapons states seem to have the support of about 100 of the treaty's 170 signatories for the proposal to make the 25-year-old treaty permanent. Non-aligned countries, led by Mexico and Egypt, can only muster 30-40 states in favour of a more limited extension to the treaty. Since only a simple majority of countries is required to decide the issue, the argument would seem to be won.

The weapons states have some powerful arguments to back their position. By the acid test of results, the NPT has been effective in slowing the spread of weapons technology. The US can also argue that progress is now being made towards cutting the bloated US and Russian nuclear arsenals, and that a comprehensive test-ban treaty is finally on its way.

Yet there are still reasons to consider a more limited extension to the treaty. A limited extension arrived at by consensus would give the NPT greater moral authority than a narrow majority for an indefinite term. There are also good arguments for leaving non-weapons states with some sway, and for keeping weapons states' feet to the nuclear fire. Some non-aligned countries fear, perhaps justifiably, that unlimited extension would give weapons states *carte blanche* to keep their warheads and ignore further steps towards nuclear disarmament. Knowing they have to face a further test of their good faith might provoke greater efforts.

Limited extension might encourage the nuclear powers to account for their nuclear stockpiles more fully and negotiate a tougher limit on the production of explosive plutonium and enriched uranium. A firm clamp on fissile materials would be one of the most effective ways to prevent nuclear proliferation. Yet only limited talks on banning production of further fissile materials *for explosive purposes* are planned, and then only once the NPT is renewed.

More needs to be done, not only to prevent more bomb material from being made, but also properly to account for existing stockpiles and bring them under international safeguards. Efforts also need to be made to curb production of reactor grade plutonium, produced by plants such as the £3bn ($4.8bn) Thorp plant in the UK, since this can be converted to bombs using modern technology.

A limited 25-year extension might even see some regional disputes resolved, bringing further signatories to the treaty. If a comprehensive Middle East peace settlement were to emerge, for instance, a limited NPT might focus some minds in Washington on the need for Israel to join the non-proliferation club. An NPT growing in authority towards a further review would be better than a fixed treaty which was losing its power.

Driven by a force beyond its control

Government measures to stimulate Japan's economy have only deepened the malaise, says **William Dawkins**

Until a few days ago, Chasha House, a café in Tokyo's Ginza shopping district, priced a cup of coffee at the yen equivalent of a dollar, whatever the exchange rate.

It could just about make a profit when the dollar first fell to less than Y100 last June. But when the US currency and Chasha's price touched a record low of nearly Y80 last week, the coffee shop was unable to bear the losses any longer. Now it charges a fixed Y100.

Chasha's predicament captures the mood of Japan's economy. There is a growing sense, from bars to boardrooms, that the yen's relentless rise – by nearly 22 per cent so far this year – hurts much more than did previous spikes in the past 25 years.

It might, say pessimists, bring a premature end to an already weak economic upturn, by squeezing export earnings and helping, indirectly, to push down domestic prices. Even before the yen's recent advance, the recovery looked wobbly, with a 0.9 per cent decline in gross domestic product from the third to the fourth quarter of last year, leaving growth for the whole of 1994 at only 0.6 per cent.

Economists in Tokyo, even optimistic ones, have been downgrading 1995 Japanese economic growth forecasts in recent weeks. The range goes from Salomon Brothers Asia, forecasting a mere 0.2 per cent rise in GDP, through a market average of 1.8 per cent, to the government's Economic Planning Agency, with a 2.8 per cent forecast. Even the agency, well known for unbelievable optimism, admits that its target has been "blurred" by the yen's rise.

Last Friday's government package, proposing an unspecified increase in public spending and promising further economic deregulation, has only deepened the malaise. Japan's continued political turmoil ensured that the plan was so weak and devoid of detail that Mr Yasuo Matsushita, governor of the Bank of Japan, had to apply, probably sooner than he would have liked, his ultimate weapon: a 0.75 percentage point cut in the discount rate to a record low of 1 per cent. Even then, the yen hardly budged and Japanese equity prices fell, recovering a fraction yesterday.

In the longer term, the yen's strength might be beneficial, in forcing deep structural changes in Japan's economy by increasing the pressure on protected sectors, such as financial services, to cut costs.

But during that transitional process, the survival of parts of Japanese industry is threatened, as Mr Shoichiro Toyoda, chairman of the Keidanren economic federation, warned recently. Large companies, like his own Toyota carmaker, simply squeeze an extra layer out of their costs and hedge currency exposures at a new rate with each round of the yen's rise. Smaller companies, however, cannot do this, as underlined by more than 1,400 collapses last month, a nine-year high, according to Teikoku Databank, a credit research agency.

The yen's rise threatens Japan's economic poise now more than ever because it comes on top of a problem unknown in postwar Japan until the 1990s: deflation. Asset prices, both of property and equities, have been falling since the collapse of the economic bubble five years ago, exerting an increasing drag on the rest of the economy.

The asset price decline is partly a reflection of the fact that values were indeed too high and, in the case of property, still are. But it also reflects financial institutions' investment caution. Commercial banks are reluctant to repeat past mistakes, while industrial clients are reluctant to borrow, causing private sector bank lending to fall, for the first time ever, last July. It has been declining ever since.

Financial institutions' appetite to invest in anything other than yen has been reduced further by the currency's renewed rise. They themselves have contributed to the yen's strength over the past year by selling dollar assets for yen.

In this way, the institutions have reduced exchange rate risk and, incidentally, stayed safely out of the Tokyo stock market. Their reluctance to buy shares has contributed to the market's nearly 20 per cent decline since the turn of the year, thus limiting banks' ability to use share sales to help them write off bad debts and clear their balance sheets for more lending.

A credit squeeze helps to depress asset prices, feeding through eventually to a fall in consumer prices. When prices fall, debt becomes expensive in real terms, which is why few observers believe that the Bank of Japan's rate cut will encourage industrial companies to borrow more.

The high yen-related surge in cheap imports of manufactured goods, by 21.2 per cent in dollar terms last year, accelerates that underlying consumer price fall.


Currency trials: Yasuo Matsushita (top left) used his ultimate weapon, but Prime Minister Murayama still looks powerless to stimulate the economy

That might be a treat for Chasha House's customers, but not for the café's profits or for those of many other companies.

The fear is that a fall in prices feeds through to wages, so depressing prices further, an uncontrollable deflationary spiral. "The vicious spiral of the yen is likely to drag the economy into a tailspin," argues Mr Robert Feldman, director of economic research at Salomon Brothers Asia.

It is an alarming scenario – and not everyone in Tokyo shares Salomon Brothers' trepidation. Yet enough of the elements are in place for most observers to agree that deflation, worsened by the high yen, has become a real problem.

Asset price deflation is certainly there, in the form of a 10 per cent fall in property prices last year, the fourth annual decline running. Consumer price deflation is nearly there. Inflation is officially just under 1 per cent. The official figures do not include discount stores, the fastest growing sector of retailing, so most analysts believe that consumer prices may actually be falling. So they should be, given that wholesale prices fell last year by an estimated 1.8 per cent.

Wage deflation is not yet there, but the omens are poor. This year's wage round is likely to produce an average increase of 2.9 per cent, the lowest ever. Overtime and bonuses, which make up roughly half total pay, are also under pressure.

That makes for a gloomy outlook for private consumption, which accounts for nearly 60 per cent of the economy.

Japanese consumers led the beginnings of a recovery this time last year, unusual for an economy accustomed to export-led upturns. Consumers increased spending sharply during the summer, but snapped their wallets shut again, for reasons hard to explain, in the final three months of the year. Nobody expects private spending to collapse. Rather the consensus is that it will be weak, rising this year at about the same rate as last year, 2.3 per cent.

The difference is that, this year, there will be no accompanying rise in public spending, as there was during the recession. The government has exhausted most of its previous public works plans and has only suggested, not specified, any new spending in its latest offering.

Only moderate help can be expected from industrial investment, the second largest slice of the economy after private consumption. It has been falling for four years running, and is expected to recover only by about 1.9 per cent this year, according to a survey of Japanese economists by Consensus Economics.

Moreover, a growing share of that investment is going abroad, to cheaper and faster growing east Asian economies, a process likely to be accelerated by the yen's rise.

All this is happening at a time when the government of Mr Tomiichi Murayama appears powerless to stimulate the economy. The current coalition of socialists and conservatives, at nine and a half months, is less shaky than its two predecessors. But its partners are so divided that the financial markets have given up hope that they will deliver the two things needed to support the recovery: another hefty rise in public spending and economic deregulation radical enough to make an impact on the current account surplus, the root of the yen's strength.

Until those things happen, the Japanese economy is the victim of a force beyond its government's control, the currency markets. If economic policy continues to flounder, as is likely, the markets may assume that the surplus will stay high, and keep up the pressure.

How to attract foreign direct investment

PERSONAL VIEW

A revolution has occurred in capital flows to developing countries. Not only have the amounts involved exploded. But virtually all the increase has been in private investment, with foreign direct investment becoming the most important form in which development resources are flowing to the developing world.

Foreign direct investment in developing nations increased from about $10bn a year (in 1993 prices) during the 1980s to $65bn in 1993 and $74bn in 1994. These figures compare with aid flows in 1993 of $52bn and commercial lending of just $1bn. Foreign direct investment is now more in real terms than total capital flows to developing countries in any year before 1990.

Whereas portfolio investment from financial investors is expensive to attract and dangerously volatile (as seen recently in Mexico), direct investment is not volatile. It comes from multinational corporations which also bring management, technology, and access to export markets to the developing countries in which they invest.

Most of these countries are vying for more such investment. But how much more can the flow expand?

The $200bn of foreign direct investment worldwide in 1993 still represented only about 5 per cent of total gross savings in the developed countries, which suggests that considerable expansion is possible.

However, those in the business of attracting foreign direct investment feel that it is extremely competitive. Governments of developing countries often fear that increases in such investment to one country are at the expense of others. When central and eastern Europe abandoned communism, many feared that these reforming countries might divert direct investment away from developing nations.

These worries appear to be baseless. A recent investigation by the Foreign Investment Advisory Service (a department of the International Finance Corporation and the World Bank) into how the strategies of foreign investors were affected by the opening of Europe's formerly communist economies concluded there was little or no competition for foreign direct investment between central and eastern Europe and the developing world.

Hardly any of the companies surveyed that had invested in central and eastern Europe had seriously considered other regions. An exception was the clothing sector, where low labour costs are important and where there was competition with Mediterranean rim countries. It is also worth pointing out that more than half of foreign direct investment in central and eastern Europe has been to buy companies that were being privatised. As privatisation opportunities are exhausted, there may be more competition for investment between regions.

If there are more opportunities in a country, there will be more direct investment

In fact, the lion's share of the explosion in foreign direct investment in the third world has gone to Asian and Latin American countries, led by China, Argentina, Mexico and Malaysia. China alone receives more than three times the amount going to all central and east European countries combined.

We draw two important conclusions from all of this:

● First, foreign direct investment in developing countries is not limited by availability of capital. Rather, it responds to good opportunities; if there are more opportunities, there will be more direct investment. It is not a zero-sum game. The bulk of direct investment attracted to a country that improves its investment environment is not being diverted from other countries. The main exception is low-technology, labour-intensive, light manufacturing.

● Second, developing countries that want more direct investment should not worry about how much other countries are getting. Instead, they should put their own houses in order. Decent government, stable and sensible economic policies, a convertible currency, avoidance of excessive restrictions and regulations and a legal system that works are what governments must provide to attract foreign direct investment – and also to keep their own citizens' capital inside the country. Effective education and training are also important.

Of course, large markets are more attractive to multinational corporations than small ones, and willing workers are more attractive than revolutionaries. Even with perfect policies, some countries may not attract large amounts of foreign investment. But the supply of foreign direct investment is expandable. It will come if an attractive environment in which to do business exists.

Joel Bergsman and Sanjaya Lall

Bergsman is with the Foreign Investment Advisory Service; Lall teaches development economics at Oxford University. Important contributions also from Joseph Battat, Laurence Franko, Charles-Albert Michalet and Tomoko Tatara

OBSERVER

Wily Rupert's rugby game

■ How Machiavellian is Rupert Murdoch? Beyond his scheme to buy an entire sport – rugby league – so as to further his pay-TV ambitions in both hemispheres, has he ambitions to shake the foundations of sporting culture?

A key requirement of Murdoch's rugby plan is that the European rugby Super League plays in the northern hemisphere in the summer, rather than the winter. One of the 14 proposed Euro Super League clubs, London Broncos – an offshoot of Australia's Brisbane Broncos – wants to use a stadium holding at least 30,000 spectators.

The UK Broncos currently play second division fare, usually attracting fewer than 1,000 spectators. But switching to summer rugby, plus top-line opponents and improved marketing, will attract bigger crowds, thinks Barry Maranta, chairman of the club. Maranta is also a director of the Brisbane club, where crowds have soared from 3,000 per game to 44,000 in seven years.

Maranta reckons "supporters will be drawn mainly from followers of British winter football, interested in the new summer competition, along with many of the 200,000 or so Australians and New Zealanders in the UK".

Fine. But where does that leave cricket? Just like baseball, cricket hardly seems designed for the gladiatorial marketplace of early 21st century pay-TV. Unless, that is, the wily Murdoch wants to buy world cricket as well. He could switch it to the winter and make them play on ice. Now *that* would be an improvement.

Monti beware

■ *Mario Monti*, the Italian commissioner in Brussels, does much to destroy national stereotypes. The respectable former rector of Milan's prestigious Bocconi university in Milan is as far removed from the seamy world of the Mafia as Sir Leon Brittan is from football hooligans. Hence his officials were alarmed to find on sale in the Brussels branch of W.H. Smith a book entitled: *Murdering Mr Monti* – "a merry little tale of sex and violence".

Ken's doodlebug

■ Serious paper, The European. One of its hacks attending last week's meeting of the European Bank for Reconstruction and Development got hold of the EBRD notepad of Kenneth Clarke, Britain's restless chancellor of the exchequer. It was filled with nothing but a profile of a man's face set against a dark background.

A secret admirer, perhaps? The paper called in Professor Michael Levi, a business psychologist at the University of Wales. Levi suggested that the "skilful drawing" showed "a logical mind focused on the task at hand, making himself difficult to read from outside – and that's every inch a chancellor".

Chris Duggan, The European's political cartoonist, was more helpful. "It's a rather sad face – it seems to capture the despair of someone who would prefer to be somewhere else," says Duggan.

Last resort

■ California's nerd population could be about to swell. San Francisco's police have tried offering cash for guns, groceries for guns, and concert tickets for guns. Now they are trying a cyberswap. They will hand out used computers to anyone turning in a working handgun – and no questions asked.

The programme starts on April 22, in honour of Earth Day, a police captain said. His department has hundreds of donated IBM systems with software loaded on them; some also have modems. The Black Chamber of Commerce of San Francisco will provide free training.

On the rebound

■ What makes a bright young British businesswoman throw in a promising financial career to run a tiny Marxist publishing company with a turnover of £2m a year and a history of political infighting?

Lucy Heller, 36, has worked around the world with Bankers Trust and Manufacturers Hanover and was made treasurer of Booker at an incredibly young age. But she has quit the corporate rat race to become executive chairman of Verso, the book publishing arm of the New Left Review.

Heller, sister of The Independent's Zoe Heller and daughter of the late Lukas Heller, scriptwriter of *The Dity Dozen et al*, has big ambitions for her new venture. She wants to recapitalise it and take it into the mainstream of British publishing.

She is the token woman on the new Commission on Public Policy and British Business, launched by the left-of-centre Institute of Public Policy Research, but stresses that she is not member of Britain's Labour party. She insists that she has given up big business because she wanted a "bit of fun".

Another sign that breaking through the glass ceiling is proving to be tougher than expected?

Hole in one

■ The chairman of a US money centre bank was discussing the aftermath of the Barings crisis with the governor of the Federal Reserve. "What would you do if my bank got into the same sort of trouble?" asked the banker.

"Discuss the matter with your successor," replied the central banker.

The Financial Times

100 years ago

Skeleton in the Grand Trunk
There is good promise of a magnificent fight at the approaching meeting of the Grand Trunk Railway Company. The Committee which has thrown down the gage of battle to the existing management is active and influential. The first thing to do is to get rid of the present management, and we cannot too strongly urge upon the stockholders the necessity, if they wish to raise their property out of the mire, of giving their cordial support and their proxies to the Committee. A correspondent wrote to us yesterday as follows: "I hold £7,000 Trunk Ordinary, and have done so for the past fifteen years; would you advise my selling them at the present price or paper the wall of my home with them to show the children the folly of my youth?"

50 years ago

India trade mission
The private Indian trading mission including leading industrialists is expected to arrive in the United States soon. Among those coming are Mr J.R.D. Tata, chairman of the Tata Iron and Steel Company.

FINANCIAL TIMES
Tuesday April 18 1995

Palestinian police's torn loyalties

Force recruits face dilemma in crackdown on militants, Eric Silver reports from Gaza City

Private Ahmed is 24 and sports the stubble of a young Yassir Arafat. He lolls in the shade of a half-finished, raw-concrete building, guarding the northern end of the seafront road where the chairman of the Palestine Liberation Organisation has his Gaza headquarters.

He and another new recruit, both in the khaki fatigues and red berets of the paramilitary National Security Police, are two of the 15,000 Palestinian officers who have led the crackdown on Islamic militants in Gaza. In the week since suicide bombings killed seven Israeli soldiers and a student, about 300 suspected militants have been arrested.

"In the past we were all struggling together for our freedom," explains Private Ahmed, who declines to give his surname. "But once they carry out operations inside Gaza we have to try to stop them. It's difficult, though, to arrest your friend, your brother, your neighbour."

Ahmed and his partner, who have one Kalashnikov assault rifle between them, are glad to talk. It breaks the monotony. They complain the suicide bombers have put them under pressure. If the bombers had kept their operations inside Israel, they say, that would have been the Israelis' problem. Now, the radical Hamas and Islamic Jihad groups have turned the issue into a Palestinian responsibility and dilemma.

Differences have emerged between the young police officers, who have always lived under occupation, and the older professionals, who returned from exile last summer. For the locals, loyalties are personal, orders are subject to conscience. For the veterans, discipline is paramount.

Private Ahmed says he has a cousin in Hamas, whose brother was killed, he claims, by the Israelis during the seven-year intifada uprising. Last week, the police arrested his cousin. What would he have done if he had been sent to pick him up?

"I'd try to get out of it," Ahmed replies. "If my commander insisted in sending me, I would go, but I would try to avoid contact. I would try to see that the other police treated him with respect."

And if his cousin resisted, and Ahmed was ordered to open fire? "I would disobey orders," he says. "I wouldn't shoot my cousin. If they tried to make me, I would resign from the force."

What about the risk of civil war, Palestinian against Palestinian? Ahmed doesn't think it's possible. "In every family," he says, "you have one brother in Hamas, one brother in Fatah, one brother in the Popular Front. People are not going to kill their own brothers."

Like most of the rank and file, Private Ahmed is a graduate of the intifada, and a supporter of Arafat's mainstream Fatah organisation. After growing up in Khan Yunis refugee camp, he trained as a teacher, but went immediately from college into an Israeli jail for resisting the occupation.

Most of his officers, by contrast, are veteran soldiers. Men like Captain Faez Mamlouk, who spent 16 years under Mr Arafat's command in Beirut and now, aged 44, serves in the elite Presidential Security Police.

Mamlouk fought against the 1982 Israeli invasion of Lebanon and returned to Gaza with Mr Arafat. He is first and foremost a soldier. "I receive orders," he says, "and I obey. I would even arrest my own brother. An army is an army. I'd try to avoid violence, but if talking failed, I wouldn't hesitate to use force."

China sees fall in foreign contracts

By Tony Walker in Beijing

Newly contracted foreign investment in China dropped sharply in 1994 after the hectic pace of the two preceding boom years. But actual utilised investment was well up on the previous year.

The State Statistical Bureau reported that foreign investors pledged new investment of $82.6bn in 1994, a drop of 25.8 per cent on the year before. Numbers of new projects were down by 43 per cent to 47,549.

Utilised investment reached $33.5bn last year compared with $25.8bn in 1993, a 30 per cent increase. By mid-1995, foreign direct investment in China is expected to reach $100bn. The slowdown in new investment in 1994 was anticipated after the boom years of 1992 and 1993, but the fall-off in both the number of new contracts and in total pledged investment reflects a lessening of investor enthusiasm. The statistical bureau also reported a "noticeable shift" towards infrastructure projects in the 1994 investment figures. Investment in such areas as telecommunications was up by more than 30 per cent on the previous year. Foreign investment in real estate was down sharply last year as a percentage of new contracts. Such investment fell to 28.9 per cent of the total in 1994 compared with 39.3 per cent in 1993.

This drop partly reflected a credit squeeze instituted in mid-1993 which sought to redirect funds to infrastructure and away from real estate projects in coastal areas. While the numbers of newly-contracted projects were well down last year, the size of projects themselves rose from an average $1.3m to $1.7m. The statistical bureau also reported a "marked change" in the regional use of foreign funds. It said more foreign investment was being directed to inland areas and to central and western parts of the country.

China is planning soon to unveil new investment guidelines aimed at channelling foreign capital into priority areas such as infrastructure and to its disadvantaged hinterland.

Beijing plans to phase out tax incentives for certain categories of investment, such as basic-processing industries, which it regards as wasteful.

Thousands of these enterprises which produce consumer items for the world market have been established in coastal areas.

Japanese companies take stock of investment in China, Page 5

Sharp rise in oil prices

Continued from Page 1

ily, of fears about Iraqi sales could underpin international prices, analysts said. "The possibility that Iraq will begin selling oil again has been hanging like a cloud over the market for the last week," one trader said.

Oil traders had estimated the UN plan would have allowed about 700,000 barrels a day of Iraqi oil on to the market. That would represent a 1 per cent increase in world supply, but the psychological impact on the market was reckoned far greater.

The UN plan would have allowed Iraq to enter into a series of closely monitored oil sales, with the bulk of the proceeds used to buy food and medicine.

President Saddam Hussein's government described the scheme as an "insult".

Iraq has consistently refused to accept one-off or limited oil sales, fearing they could be seen as a substitute for the total lifting of sanctions.

UK watchdog stirs up a row over reform of regulation

By Robert Corzine and David Lascelles, in London

Ms Clare Spottiswoode, the UK's gas industry regulator, has angered fellow utility regulators by floating ideas to reform the regulatory system which they believe could undermine their independence.

Ms Spottiswoode recently circulated a paper to regulators of the telecommunications, electricity and water industries containing ideas on how they might be made more accountable for decisions they take.

She says she has not espoused the ideas, but is circulating them to promote discussion and debate. Mr Tim Eggar, UK energy and industry minister, is due to convene a meeting soon with regulators to discuss ways the system might be improved.

The most radical of Ms Spottiswoode's ideas would allow the government to call for independent investigations into regulatory decisions that prove especially controversial, or that later appear to have treated a regulated company too lightly.

Another would give a parliamentary select committee power to review certain types of regulatory decisions, and give committee members access to commercially confidential information.

A third suggests the appointment of high-level, non-executive advisers to individual regulators. Advisers would be recruited from the senior ranks of business, industry and the civil service, and would advise on difficult decisions before they are taken.

The debate on regulatory reform has been fuelled by growing political controversy surrounding the privatised gas, electricity and water companies. Some regulators worry that the government might try to dictate changes to the regulatory regime without consulting the regulators, or that a future Labour government could make the regulatory regime overtly political.

Other regulators declined to comment on these ideas. But the first has caused considerable concern because of fears that it would allow the government to question the decisions of regulators, weakening their independence. At present, regulators operate within a statutory framework which protects them from political interference.

The other ideas have caused bewilderment because they propose remedies which already exist. Parliamentary select committees do review the work of the regulators, and could expand this role. The regulators also have the right to appoint outside advisers.

Gas regulator turns up heat on rules debate, Page 10

THE LEX COLUMN

Cyclicals' second wind

Even if Mr Kirk Kerkorian's proposed offer for Chrysler fails to flush out another bidder, it will nonetheless prove significant. His $23bn putative bid has highlighted the extraordinary decline in the valuations of certain cyclical stocks. The US automotive sector has, for example, underperformed the market by 25 per cent since its peak in February last year. The explanation for the decline in automotive shares has been the switch out of cyclical stocks into defensive companies such as pharmaceuticals. Investors remember the horrific position in which many cyclical companies found themselves during the early 1990s and have sold their shares in anticipation of the next downturn.

However, the next downturn may be less gruesome than the last. The extensive industrial restructuring during the last recession suggests corporate America should suffer less next time round. Moreover, if the Federal Reserve manages to pull off the trick of a soft economic landing, the next downturn may prove to be further off than most expect. In that case, cyclical groups, which have already restructured their balance sheets and generated substantial quantities of cash, will generate still more. That would suggest the markets have badly misjudged the valuation of such companies. If Mr Kerkorian's move achieves nothing else, it should provide a second impetus to US industrial stock prices by raising such issues.

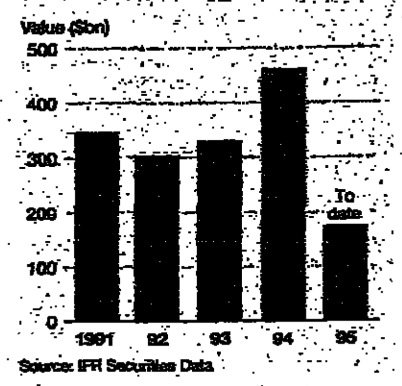
Mr Kerkorian's proposals do not signify a return to financially-driven 1980s-style raids. True, some of the conditions for their revival exist. Banks could be tempted to fund such deals because they are flush with cash and finding it difficult to increase their loan books. And US interest rates are clearly near their peak, meaning leveraged buy-outs funded by loans will benefit from falling interest rates.

But banks, particularly in the US, are demonstrating greater self-discipline this time round. They need little reminder that the performance of leveraged buy-outs has proved decidedly spotty. Moreover, changes in tax law and more stringent rules on acquisition accounting may hinder, if not preclude, the especially highly leveraged deals of the past.

The likely absence of corporate raiders does not mean that mergers and acquisitions activity is set to stagnate. Indeed, it looks set to increase. The rationale for such deals is likely to be industrial rather than wholly financial. Boardrooms are increasingly concerned to redefine core operations, dispose of peripheral businesses, and consolidate market position in their chosen sectors, particularly through geographical expansion. Sandoz's decision to dispose of its chemical businesses was only the latest example of refocusing; Cadbury Schweppes's acquisition of Dr Pepper demonstrated geographical expansion.

Although recent currency turmoil will not in itself trigger deals, it will undoubtedly give the M&A market further impetus. The decline of the dollar has made US assets especially cheap for companies in Germany and Switzerland. If the currency markets trigger an industrial response, it would give a further push to parochial Wall Street valuations.

Total worldwide M & A activity



Source: IFR Securities Data

UK construction

The UK construction industry no longer offers the classic benefits of cyclicality. This time, economic recovery has not spelt an end to high real interest rates, low inflation and low volume growth. As a result, after racing ahead in 1993, on expectations that profits would catch up the following year, construction share prices have dropped sharply. Current valuations are more realistic as a result. Price-earnings ratios have dropped dramatically from a peak of about 18 times at the beginning of last year. Construction stocks are now trading at a 17 per cent discount to the rest of the market, on 1996 forecasts.

But this may not be a sufficient discount, even though some of the industry's problems, such as the scaling back of the government's roads programme, have already been factored in. Contractors still have too much capacity and too little capital. Housebuilders will have to cope with flat housing starts and higher land prices in the UK this year. They are likely to suffer a cash outflow this year as they try to restock their land banks, while margins may come under pressure as they struggle to meet volume targets. Another rise in interest rates could prompt further discounting of the sector.

Taken as a group, managers of construction companies have a poor record, tending to make ill-advised acquisitions in good times and failing to cut capacity in bad. The disappearance of the boom-bust cycle reduces the scope for reward, as well as risk. The answer is careful stock-picking.

The yen

The cut in Japan's official discount rate has had little effect on the value of the yen. That is unsurprising. Widening the differential on yen and dollar-denominated assets was never going to lead to an immediate rush for dollars. If the dollar is still capable of falling, say, 5 per cent in a week then an official discount rate of minus 50 per cent would still fail to make the yen unattractive. The cut was always going to be part of a longer game plan.

A curious and circular feature of that game is that investors will only begin buying dollars when they are convinced that it has stopped falling. But the underlying reason for the yen's appreciation – the structural current account surplus – has yet to be addressed fully. True, last week's rate cut should help somewhat if it succeeds in boosting domestic demand. But much more was needed from the government's package to restructure the economy. On virtually every count, this failed to boost the economy and to reduce import barriers.

The yen's plight would be grave enough without a further worrying problem – deflation. The prices of stocks and land have been falling for years, making such assets highly unattractive. Worse, the Japanese have not been investing overseas because the yen's rise creates de facto deflation in the value of non-yen denominated assets. Their only reasonable alternative is yen or Japanese bonds.

Until deflation ends – and that looks to be some way off – they are unlikely to look elsewhere. The rate cut may be a step in the right direction, but it is unlikely to change current Japanese investment proclivities.

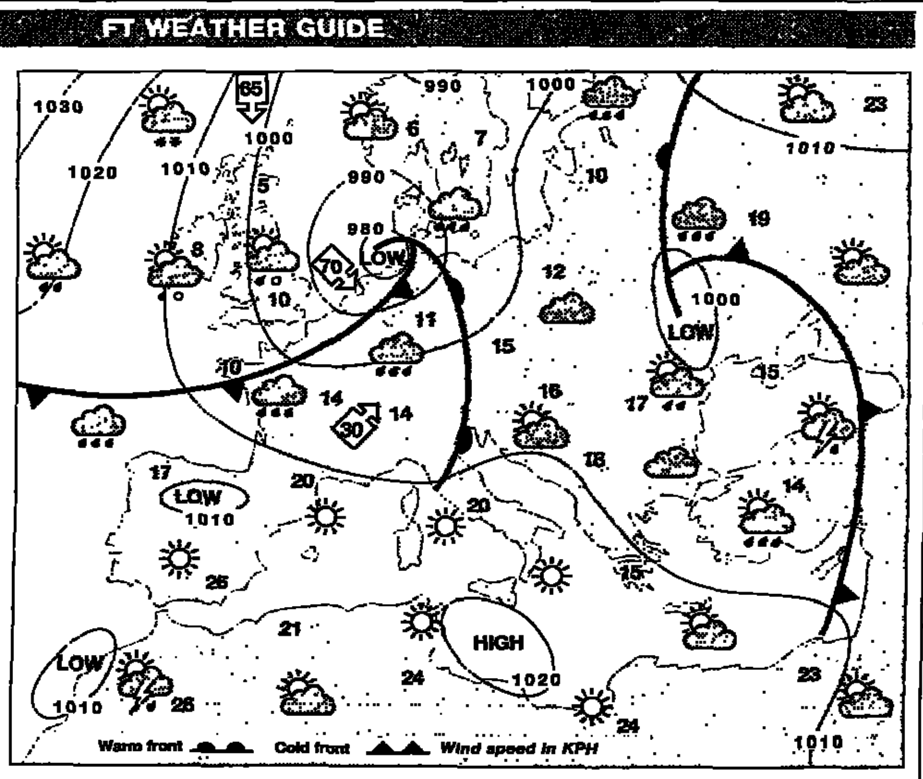
FT WEATHER GUIDE

Europe today

A small but active low pressure area which moved over England last night will cross the North Sea on its way to Denmark. As a result, rain and wind will move away from southern England into the Low Countries, northern France and Germany. North-west Britain will clear briefly, but winds veering north will soon bring cool, unstable air and widespread showers, sometimes with hail or thunder.
Another low pressure system will separate warm air in eastern Russia from cooler air in central Europe. Western Russia and the Ukraine will have rain.
Portugal and Spain will be very sunny with temperatures above 25C. Italy will improve greatly after the blizzard that struck central and southern regions on Easter Sunday.

Five-day forecast

Cool and unstable air will remain over the British Isles and north-west Europe. However, the northerly flow will decrease, leaving these regions moderately fair with only a few isolated showers.
Meanwhile, central Europe and the Alps will have more rain. The summery conditions in Spain will give way to northerly breezes with rain in the north.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

City		Maximum Celsius
Abu Dhabi	sun	34
Accra	thund	34
Algiers	sun	21
Amsterdam	rain	9
Athens	fair	18
Atlanta	fair	30
B. Aires	sun	24
B.ham	shower	10
Bangkok	fair	35
Barcelona	sun	19
Beijing	sun	20
Belfast	shower	8
Belgrade	fair	19
Berlin	drzzl	14
Bermuda	fair	22
Bogota	shower	21
Bombay	sun	33
Brussels	rain	10
Budapest	fair	16
C.hagen	windy	7
Cairo	fair	23
Cape Town	sun	23
Caracas	shower	29
Cardiff	shower	9
Casablanca	fair	23
Chicago	rain	19
Cologne	rain	13
Dakar	sun	25
Dallas	sun	26
Delhi	fair	37
Dubai	sun	32
Dublin	shower	8
Dubrovnik	sun	18
Edinburgh	shower	8
Faro	sun	22
Frankfurt	rain	15
Geneva	drzzl	16
Gibraltar	fair	21
Glasgow	shower	8
Hamburg	rain	12
Helsinki	shower	8
Hong Kong	fair	29
Honolulu	fair	29
Istanbul	rain	14
Jakarta	thund	32
Jersey	shower	11
Karachi	fair	33
Kuwait	sun	35
L. Angeles	fair	16
Las Palmas	fair	23
Lima	fair	25
Lisbon	sun	23
London	shower	10
Lux.bourg	rain	10
Lyon	fair	18
Madeira	sun	20
Madrid	sun	25
Majorca	sun	20
Malta	sun	18
Manchester	shower	8
Manila	fair	33
Melbourne	shower	19
Mexico City	fair	27
Miami	fair	30
Milan	fair	19
Montreal	sun	11
Moscow	fair	21
Munich	rain	17
Nairobi	fair	28
Naples	sun	18
Nassau	sun	29
New York	fair	17
Nice	sun	18
Nicosia	shower	19
Oslo	rain	6
Paris	rain	14
Perth	fair	23
Prague	cloudy	15
Rangoon	sun	36
Reykjavik	cloudy	0
Rio	shower	25
Rome	sun	17
S. Frsco	fair	13
Seoul	rain	18
Singapore	fair	32
Stockholm	shower	8
Strasbourg	rain	17
Sydney	fair	23
Tangier	sun	23
Tel Aviv	shower	23
Tokyo	rain	16
Toronto	fair	13
Vancouver	rain	12
Venice	fair	17
Vienna	cloudy	17
Warsaw	cloudy	12
Washington	rain	20
Wellington	fair	12
Winnipeg	fair	6
Zurich	drzzl	15

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IN THIS ISSUE

The next issue of FT Exporter to be published on July 12 will be an A-Z guide to exporting. An invaluable aid, the publication will offer insights into some of the key topics under discussion by all those involved in export activities.
In September FT Exporter will return to its conventional format with separate sections dealing with the most important World trade issues affecting exporters, profiles of successful exporters across Europe, and latest information on transport, export finance and export law.
The December issue will contain full details of this year's winners of the NatWest/FT Exporter Awards for 1995.
Information for editorial consideration should sent to the Editor, FT Exporter Financial Times, One Southwark Bridge, London SE1 9HL, Fax: +44 (0)171 873 3197. For full synopsis and details of advertising opportunities in future issues, contact Derek van Tienen general manager, FT Exporter +44(0)171 873 4882. *ISSN number 1356-0743*

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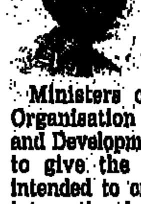
Comment

Fighting for trade liberalisation

As world economies converge, governments are trying to establish a international policy framework for foreign direct investment, writes Guy de Jonquières



Only months after the Uruguay Round trade deal came into effect, the world's leading industrialised countries are lining up a new push for international liberalisation. This time, their sights are set on global investment flows.

Ministers of the 25 members of the Organisation for Economic Co-operation and Development are expected in late May to give the go-ahead for negotiations intended to create, for the first time, an international policy framework for foreign direct investment (FDI).

The aim is to lay down binding rules which would not only safeguard investors' rights to establish overseas operations, free from restrictions on foreign exchange and threats of expropriation, but go some way to guarantee them equality of treatment with local companies.

Though a deal would initially cover only the world's richest countries, the source of most FDI, the intention is to extend it to the developing economies, into which a rapidly growing share of investment flows is now being channelled.

In the past decade, FDI flows have grown four-fold to more than \$200bn a year, twice as fast as world trade, and the total stock of investments now exceeds \$2,000bn, equivalent to almost 10 per cent of the world's annual economic output.

The expansion of FDI and world trade is increasingly closely related. More than a third of trade is already accounted for by internal transactions by about 37,000 multinational companies, a growing number of which is small and medium-sized.

The trend is being accelerated by the spread of global production networks, in which products are shipped between plants around the world for processing, and by the growing international trade in services, most of which require investment in the markets where they are sold.

In the UK, which has one of the world's highest concentrations of FDI, about 40 per cent of manufactured exports is generated by foreign-owned companies. In the US, foreign companies own household names such as Howard Johnson, Burger King and Columbia film studios.

But governments have been slow to adjust to the increasing economic importance of FDI. Even where formal obstacles to foreign investors are relatively low, policy-makers often think of locally-owned companies as being somehow closer to the national interest – even when they do much of their business abroad.

Much of the impetus for the planned negotiations has come from Washington, which sees them as complementing its drive to open up foreign markets to US exporters. The US, and most other industrialised countries, believe that even though the OECD is a rich man's club, faster progress can be made there than in the World Trade Organisation which includes developing countries, but would not be able to launch serious negotiations for at least another 18 months.

Nonetheless, hammering out an accord even between industrialised governments may not be easy. Though establishing the principle of national treatment for investors seems straightforward in theory, serious political and practical hurdles will have to be surmounted if it is to be translated into concrete rules.

Government-imposed obstacles to foreign investors need to be clearly distinguished from those – such as certain types of barriers to corporate acquisitions - which result from capital structures, regulatory regimes or cultural attitudes in different countries. Any effort to produce a uniform global playing field could soon become bogged down in disagreements.

The challenge may be particularly great in services, an area where the Uruguay Round negotiations made only limited progress. Furthermore, many investment barriers erected by governments are due to policies which have often been long regarded as consistent with legitimate national interest, such as public ownership, state monopolies and preferential procurement. External pressures for changing them may encounter political resistance.

Much will depend on how, in practice, governments balance their desire for speedy agreement and their wish to make the new rules as comprehensive as possible. That is unlikely to become clear until after the ministerial meeting in May.

As in any negotiation, governments' demands will need to be related closely to the concessions which they feel able to offer. That is likely to be a delicate task in this case, because in the US and Europe – the protagonists in the talks – will need to work hard to present cohesive negotiating positions. The US appears keen to press in the talks for maximum liberalisation. However, it is also likely to face pressure to remove obstacles to national treatment of foreign investors in its own market.

High on the list are regulations and policies in force in individual states and long-standing federal restrictions on foreign ownership of businesses including airlines and telecommunications operators.

It is still unclear whether the Clinton administration will be able politically to require changes in state rules or to persuade Congress to endorse any agreement which involved extensive reforms designed to benefit foreign companies operating in the US.

There are also difficulties on the European side. Though the EU has much common single market legislation, laws do not extend to state ownership and only partially cover state monopolies. These are politically divisive issues between the 15 member governments.

The EU has also angered the US by insisting that it retain the right to liberalise internally faster and further than required by any OECD agreement, but without being obliged to extend the benefits to third countries.

It is unclear, too, how far the EU will negotiate as a single bloc. The commission lacks a formal mandate to represent the EU in the OECD as it does in the WTO, and the limits of its legal authority to negotiate in services is disputed.

Partly for these reasons, Sir Leon Brittan, Europe's trade commissioner, wanted the WTO to make the running in talks on investment. He has also argued that the WTO's broader membership would ensure that eventual rules were adopted by many more countries.

Exactly how the results of the OECD negotiations will be applied to developing countries remains undecided. Some experts argue that most of the FDI inflows into the developing world are accounted for by only about 10 countries, and that their desire to attract foreign capital will give them a strong incentive to embrace international rules.

Others, however, think developing countries may balk at accepting an agreement which they were not involved in negotiating. China, for example, one of the biggest recipients of FDI, belongs to the neither the WTO nor the OECD.

But clear answers to these question do not yet have to be found. Before industrialised countries sell a set of investment rules to the rest of the world, they must demonstrate that they can reach a workable agreement among themselves.

Legal column

Booty for the buccaneers

Michael Thornton looks at the problems created by counterfeiters and how these are being tackled

Counterfeiting is big business. It now represents 5 per cent of total world trade. The European Commission estimates that 100,000 jobs were lost in Europe alone in 1992 as a direct result of the trade in counterfeit goods. One of the worst affected trade groups, the record industry, is reckoned to lose \$1.2bn per annum to the "pirates". If a company has an original and marketable product then somewhere out there a counterfeiter is likely to be hoping for a "nice little earner" at its creator's expense.

Even the US treasury is having to adapt with the portrait of Franklin on the \$100 bill to be increased in size and shifted to the left and 14 other changes to be made to the engraving and security features.

Counterfeit goods are the scourge of research and development departments. Years of experimentation and expense can be wasted as the counterfeiter pounces and hoped for profits fail to materialise.

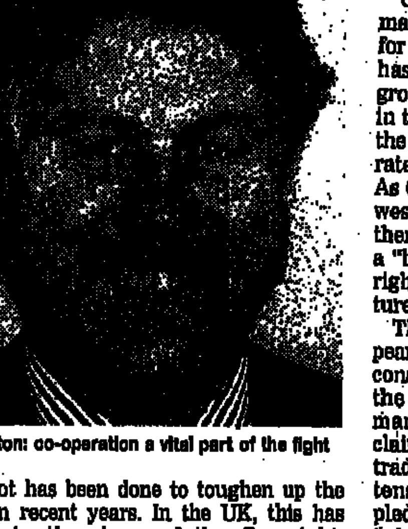
Cheap counterfeit products, badly made and perhaps unreliable, can damage the credibility of a product but at the other end of the scale good quality counterfeits can savage legitimate sales. The counterfeiter may even have access to a company's components and, without the R&D costs, can easily afford to undercut a product by enough to achieve large volume sales, but not enough to make it obvious that the product is not what it seems.

In one case involving the sale of a well known brand of jeans, the fact that the seller had paid only a pound or two less for the counterfeits than they would have done for the "real thing" was a deciding factor when the court came to decide whether or not the defence of "due diligence" had been made out (having taken all reasonable precautions and exercised all due diligence to avoid the commission of the offence of supplying or offering to supply goods to which a false trade description is applied).

As a young lawyer I was often involved in rag trade copyright disputes. During many a trip to the shops I would investigate designs bearing a striking similarity to a client's latest collection. The High Court became a second home as applications were made one after another for injunctive relief banning the sale and supply of the offending goods.

Word would soon get around the copiers that particular designs were too hot to handle. Remedies such as injunctions can be extremely expensive and efforts to increase the powers of police, trading standards officers, and customs, should be encouraged.

Manufacturers should think in terms of a team approach to the combatting of counterfeiters and continue to be forceful and inventive in the remedies they adopt.


Thornton: co-operation a vital part of the fight

A lot has been done to toughen up the law in recent years. In the UK, this has come in the shape of the Copyright, Designs and Patents Act 1988 and the Trade Marks 1994. The law is not perfect and there is no reason to suppose that the counterfeiters will just pack up and go home.

The problem is worldwide and manufacturers have sometimes been reluctant to pursue legal remedies in some countries believing that there was no will on the part of governments to tackle the problem.

Last year's Gatt agreement went some way towards stiffening the attitude of signatories even if that agreement gives countries many years to bring their intellectual property laws into line.

Trading standards officers are becoming ever more squeezed in terms of resources but they continue to have a keen desire to work with businesses to enforce the law and combat the counterfeiter. Cheap counterfeit goods are often dangerous and so produce a dual problem for society, not only are jobs at risk but the public risk being injured as well.

China has emerged as a leader in the manufacture of products and components for western consumption but that growth has taken place against a cultural background very different from that prevalent in the west. For much of the second half of the 20th century no individual or corporate proprietary rights existed in China. As Chinese industry started to compete for western markets it is hardly surprising therefore that the manufacturers adopted a "buccaneer" approach to the proprietary rights of those for whom they manufactured.

The old attitude in China will not disappear overnight, but Beijing is spending a considerable amount of money publicising the wrongs of counterfeiting and trade mark infringement. Chinese authorities claim to be dealing with more than 13,000 trade mark infringements each year. After tense negotiations with the US, China pledged to create "task forces" to fight the "pirates" as from March this year and said that manufacturers should support and encourage the new initiatives.

Europe has it's own problems and as from July new EC rules will give customs authorities greater powers of seizure without them having to wait for a court order. It will not be only counterfeit goods which can be seized. The new rules extend to tools, machinery and other items which could be used to affix a trade mark to counterfeit goods. Provistons have been made for the destruction of counterfeit goods.

The outgoing European customs commissioner, Christiane Scrivener, one of the architects of the new rules, stresses that they "complement" the joint efforts of both member states and companies. Co-operation is the key to combatting the counterfeiters.


The agency is also active in the emerging markets of eastern and central Europe

Reassuring investors

Continued from page 23

Although most cover applications have been for power projects, Miga has also facilitated the implementation of major export-oriented projects, including one of the largest foreign investments in Pakistan's textile sector, a joint venture in Faisalabad involving US-based Greenwood Mills Inc, for which Miga issued guarantees worth \$8.4m.

The project will supply more than 70 per cent of the country's annual denim jean production output and 8 per cent of its total cotton garment exports. The opening of former state monopoly sectors to private investment provides a focus for Miga. Motorola has insured \$24.3m of equity in a venture with SAIF Telecom, a Pakistani private concern, to install a nation-wide cellular network.

Miga is also prepared to support ventures in China. American Cyanamid Company's 50:50 venture with the Suzhou Number Six Pharmaceutical Factory made use of a \$7m guarantee to help access previously untapped sectors of the domestic pharmaceuticals market.

The agency is also active in the emerging markets of eastern and central Europe, and in the more problematic markets of the former Soviet Union.

In Uzbekistan, \$40m in Miga guarantees were allocated for the US' Newmont Mining Corporation's stake in the \$150m Zarafshan-Newmont Joint Venture open-pit gold mine. This project has obtained support from other multilateral institutions, opening the way for commercial financing in a region usually thought beyond longer term conventional borrowing.

Difficult markets in sub-Saharan Africa have also been the subject of a vigorous marketing campaign, with first guarantees for projects in Uganda and Cameroon.

The Ugandan project exemplified Miga's role as a co-financier, allowing clients to access both financing and insurance capacity. Miga provided a \$5.4m guarantee for a Swiss-Norwegian fish processing joint venture, with financing from the IFC, the Export-Import Bank of the US and the Norwegian Agency for Development Co-operation.

Exporters may also be the beneficiaries of Miga's extra-guarantee activities. The agency furnishes a variety of technical assistance services to member countries to assist their efforts to stimulate FDI, including policy advisory services to improve investment regimes and help with the legal aspects of investment.

Jon Marks is Associate Editor of International Trade Finance, a bi-monthly Financial Times newsletter.

The NatWest/ FT Exporter Excellence Awards

The search has begun for the company which will take over from Edward Macbean, the Scottish-based protective clothing manufacturer, as the holder of the NatWest/FTExporter Award for Export Excellence.

The small Scottish company impressed the judges last year by the way in which exporting was a fundamental element in its business strategy.

The company, which initially produced horse blankets, makes heavy duty protective clothing designed for anyone whose work obliges them to go out in all conditions.

The company has established itself as a market leader in the industrial and public utility foul weather wear market in the UK and Europe.

It sales, which were £1.1m in 1987, reached almost £7m last year on which it made pretax profits of \$550,000.

The runner up in the competiton, which is co-sponsored by the Institute of Export, was Zeneca, the British multinational and agrochemicals specialist.

As in previous years regional winners will be named at a series of seminars on exporting at taking place locations around the country.

The overall winner will then be presented with the Exporter Excellence Trophy and as well as a travel bursary worth a total of £5,000.

The closing date for entries, which are currently being called for, is July 31.

Entry to the competition is free and is open to UK companies of all sizes.

For further details call free on 0500 123 123, or write to NatWest, International Trade and Banking Services, Level 7, Drapers Gardens, 12 Throgmorton Avenue, London, EC2N 2DL

A prize for the smaller business

A total of 250 applications had been received by last month's closing date for the 1995 Export Award for Smaller Businesses, the only government-backed prize for small business exporters

Now in its 26th year, the award is open to all independent UK businesses with a workforce of less than 200 and evidence of good, long-term growth in export earnings. Non-UK sales must have exceeded £100,000 during the most recent year.

Five companies will each receive awards and prizes worth more than £7,000 in money, professional services and products at a ceremony to be held in the Savoy hotel in London on July 5.

The awards are financed by the British Overseas Trade Board, Kompass British Exports/Reeds Information Services, Grant Thornton, chartered accountants, Midland Bank (through HDSBC Trade Services) and TNT Express Worldwide

"The country is in an export-led recovery, and small firms are playing a full part. One in five of last year's entrants doubled the value of their exports over the previous year," trade minister Needham said when announcing this year's scheme. "Smaller businesses not only have the ability and resilience to compete in world markets but the strategic sense to realise that they need to expand overseas as well as at home."

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Leading UK trade missions - May-Dec 1995

ASIA-PACIFIC
28 Aug - 1 Sept 1995
Taiwan
The Scottish Council Development & Industry (Iain McTaggart) tel: 0141 332 9119
2-16 September 1995
Indonesia/Thailand (construction materials/consultancy) Thames Valley Chamber of Commerce & Industry
(David Tunks) tel: 01753 824541
4-15 September 1995
Malaysia/Singapore (telecommunications/chemicals/power generation)
Bedfordshire Chamber of Commerce & Industry
(Cheryl Smart) tel: 01582 23456
19-29 September 1995
Malaysia/Singapore (transport/railways)
London Chamber of Commerce & Industry
(Laura Bishop) tel: 0171 248 4444
2-5 October 1995
Taiwan (general) Wolverhampton Chamber of Commerce & Industry
(Steve Derbyshire) tel: 01902 26726
2-6 October 1995
Thailand The Scottish Council for Development & Industry
(Iain McTaggart) tel: 0141 332 9119
9-18 October 1995
Hong Kong Nottinghamshire Chamber of Commerce & Industry
(Michael Brosch) tel: 0115 962 4624
21 Oct - 3 Nov 1995
Japan (Automotive components/consumer goods/giftware/environment/power)
Birmingham Chamber of Commerce & Industry
(Barry Precious) tel: 0121 454 6171
12-18 November 1995
Sri Lanka Leicestershire Chamber of Commerce & Industry
(Keith Horton) tel: 0116 251 2300
13-17 November 1995
Japan The Scottish Council Development & Industry
(Iain McTaggart) tel: 0141 332 9119
18-30 November 1995
Philippines (telecommunications)
Liverpool Chamber of Commerce & Industry
(Alison Fisher) tel: 0151 227 1234
25 Nov - 7 Dec 1995
Hong Kong/Singapore (construction/consumer/environment/power/transport)
Birmingham Chamber of Commerce & Industry
(Barry Precious) tel: 0121 454 6171
December 1995
***Korea** (transport)
London Chamber of Commerce & Industry
(David Roberts) tel: 0171 248 4444
AUSTRALASIA
12-16 June 1995
Australia (food and drink)
Leeds & Bradford Chamber of Commerce & Industry
(Malcolm Sewell) tel: 0113 236 3136
28 Aug - 8 September 1995
Australia/New Zealand (healthcare and medical equipment) Coventry & Warwickshire Chamber of Commerce
(Malcolm Vaughan) tel: 01203 633000
18-27 September 1995
Australia/New Zealand The Scottish Council Development & Industry
(Les Young) tel: 0141 332 9119
25 Sept - 7 Oct 1995
Australia/New Zealand (DIY/catering)
Liverpool Chamber of Commerce & Industry
(Alison Fisher) tel: 0151 227 1234
with Manchester Chamber of Commerce (Lynn Shaw 0161 236 3210)
24 Nov - 8 Dec 1995
Australia/New Zealand (aviation-airports)
Dorset Chamber of Commerce & Industry
(Maggie Wareham) tel: 01202 448800
ASIA-SOUTH
7-19 October 1995
India
Welsh Office Industry Department
(Robert Lock) tel: 01222 825111
31 Oct 1995 (depart)
India
Sussex Chamber of Commerce & Industry
(Colin Melhuish) tel: 0127 332 6282
6-10 November 1995
India Mid-Yorkshire Chamber of Commerce & Industry
(Donald Earnshaw) tel: 01484 426591
20 November 1995 (depart)
Pakistan
Sussex Chamber of Commerce & Industry
(Colin Melhuish) tel: 0127 332 6282
MIDDLE & NEAR EAST & NORTH AFRICA
31 May - 2 June 1995
Cyprus
London Chamber of Commerce & Industry
(John Lyon-Maris) tel: 0171 248 4444
14-28 September 1995
UAE/Oman/Qatar Birmingham Chamber of Commerce & Industry
(Barry Precious) tel: 0121 454 6171
16-24 September 1995
Turkey Northamptonshire Chamber of Commerce & Industry
(Sean Read) tel: 01604 790792
23 Sept - 4 Oct 1995
Saudi Arabia/Kuwait
Manchester Chamber of Commerce & Industry
(Lynn Shaw) tel: 0161 236 3210
9-18 October 1995
Tunisia/Morocco (electronics software/automotive/environment/water/agriculture) Bedfordshire Chamber of Commerce & Industry
(Cheryl Smart) tel: 01582 23456
16-20 October 1995
Turkey Manchester Chamber of Commerce & Industry
(Lynn Shaw) tel: 0161 236 3210
28 Oct - 13 Nov 1995
Saudi Arabia/Bahrain/Qatar
Thames Valley Chamber of Commerce & Industry
(David Tunks) tel: 01753 824541
Oct/Nov 1995
***Saudi Arabia/UAE/Bahrain**
Sheffield & Rotherham Chamber of Commerce & Industry
(Ken Moss) tel: 0114 276 6667
4-16 November 1995
Abu Dhabi/Dubai/Qatar/Bahrain
Welsh Office, Industry Department
(Robert Lock) tel: 01222 825111
9-17 November 1995
UAE/Dubai/Abu Dhabi (construction/medical equip/water treatment/ oil/gas)
Bedfordshire Chamber of Commerce & Industry
(Cheryl Smart) tel: 01582 23456
17-28 November 1995
Saudi Arabia
Birmingham Chamber of Commerce & Industry
(Barry Precious) tel: 0121 454 6171
2-9 December 1995
Egypt Leicestershire Chamber of Commerce & Industry
(Keith Horton) tel: 0116 251 2300
SUB-SAHARAN AFRICA
1-7 July 1995
Tanzania
(international trade fair)
Sussex Chamber of Commerce & Industry
(John Melhuish) tel: 0127 332 6282
10-21 July 1995
South Africa/Zimbabwe (telecom/healthcare/electronics/mining/power)
Bedfordshire Chamber of Commerce & Industry
(Cheryl Smart) tel: 01582 23456
28 Aug - 8 Sept 1995
South Africa/Zimbabwe
London Chamber of Commerce & Industry
(Tracey Jacob) tel: 0171 248 4444
September 1995
***South Africa** Liverpool Chamber of Commerce & Industry
(Alison Fisher) tel: 0151 227 1234
9-23 September 1995
Nigeria/Ghana
Birmingham Chamber of Commerce & Industry
(David Frost) tel: 0121 454 6171
25 Sept - 6 Oct 1995
Tanzania/Uganda Leicestershire Chamber of Commerce & Industry
(Keith Horton) tel: 0116 251 2300
30 Sept - 13 Oct 1995
Mauritius/Kenya
Birmingham Chamber of Commerce & Industry
(David Frost) tel: 0121 454 6171
6-17 November 1995
South Africa
Manchester Chamber of Commerce & Industry
(Lynn Shaw) tel: 0161 236 3210
20-22 November 1995
Ethiopia
Nottinghamshire Chamber of Commerce & Industry
(Michael Brosch) tel: 0115 962 4624
20 Nov - 1 Dec 1995
South Africa/Zimbabwe
Coventry & Warwickshire Chamber of Commerce & Industry
(Malcolm Vaughan) tel: 01203 633000
CENTRAL & EASTERN EUROPE & FSU
19-26 May 1995
Poland
South Yorkshire Export Development Service
(John Hall) 01226 201166
4-16 June 1995
St Petersburg/Latvia
Birmingham Chamber of Commerce & Industry
(Helen Whistance) tel: 0121 454 6171
Summer 1995
***Belarus/Azerbaijan**
BSCC - (formerly British-Soviet Chamber of Commerce)
(Mike Hall) tel: 0171 403 1706
September 1995
***Hungary**
Sussex Chamber of Commerce & Industry
(Colin Melhuish) tel: 0127 332 6282
30 Oct - 3 Nov 1995
Czech & Slovak Republics
Wales Chamber of Commerce & Industry
(Helen Conway) tel: 01222 481648
November 1995
***Czech Republic/Slovenia/Croatia**
London Chamber of Commerce & Industry
(Bob Anthony) tel: 0171 248 4444
13-17 November 1995
Romania
London Chamber of Commerce & Industry
(Bob Anthony) tel: 0171 248 4444
27 Nov - 1 Dec 1995
Poland
Manchester Chamber of Commerce & Industry
(Lynn Shaw) tel: 0161 236 3210
SOUTH AMERICA & THE CARIBBEAN
5-9 June 1995
Mexico
Manchester Chamber of Commerce & Industry
(Lynn Shaw) tel: 0161 236 3210
July 24 - August 4
Mexico and Central America London Chamber of Commerce and Industry. tel: 0171 203 1823
4-20 September 1995
Colombia/Venezuela
Dorset Chamber of Commerce & Industry
(Maggie Wareham) tel: 01202 448800
18-29 September 1995
Brazil
Manchester Chamber of Commerce & Industry
(Lynn Shaw) tel: 0161 236 3210
23 Oct - 3 Nov 1995
Colombia/Ecuador
London Chamber of Commerce & Industry
(Merilyn Potter) tel: 0171 248 4444
29 Oct - 9 Nov 1995
Trinidad/Jamaica
Bristol Chamber of Commerce & Industry
(Tracey Ruff) tel: 0117 973 7373
20-24 November 1995
Brazil The Scottish Council Development & Industry
(Iain McTaggart) tel: 0141 332 9119
27 Nov - 2 Dec 1995
Mexico Leeds & Bradford Chamber of Commerce & Industry
(Malcolm Sewell) tel: 0113 236 3136
NORTH AMERICA
24 June - 1 July 1995
Dallas
Welsh Office Industry Department
(Robert Lock) tel: 01222 825111
26-30 June 1995
SE USA
Manchester Chamber of Commerce & Industry
(Lynn Shaw) tel: 0161 236 3210
13-17 September 1995
New York (clothing only)
Nottinghamshire Chamber of Commerce & Industry
(Michael Brosch) tel: 0115 962 4624
EUROPEAN ECONOMIC AREA
23 May 1995 (depart)
Benelux
Liverpool Chamber of Commerce & Industry
(Alison Fisher) tel: 0151 227 1234
4-8 June 1995
Netherlands
Welsh Office Industry Department
(Robert Lock) tel: 01222 825111
12-21 August 1995
Norway/Sweden (textiles)
Leicestershire Chamber of Commerce & Industry
(Divyesh Thakkar) tel: 0116 251 2300
September 1995
***Belgium**
Dorset Chamber of Commerce & Industry
(Maggie Wareham) tel: 01202 448800
11-15 September 1995
Republic of Ireland
South Yorkshire Export Development Service
(John Hall) tel: 01226 201166
25-29 September 1995
Milan
Welsh Office Industry Department(Robert Lock)
tel: 01222 825111
October 1995
***Benelux**
Sheffield & Rotherham Chamber of Commerce & Industry
(Ken Moss) tel: 0114 276 6667
8-13 October 1995
Barcelona
Welsh Office Industry Department
(Robert Lock) tel: 01222 825111
23 October 1995 (depart)
Norway/Finland
North Derbyshire Chamber of Commerce & Industry
(Julie Whiting) tel: 01246 211277
19-22 November 1995
Republic of Ireland
North Derbyshire Chamber of Commerce & Industry
(Julie Whiting) tel: 01246 211277
** dates to be finalised*

A list of missions to end-March 1996 will appear in the Summer issue of FT Exporter. Details of missions should be sent to FT Exporter, Surveys Dept., Number One Southwark Bridge, London SE1 9HL or faxed to +44 (0)171 873 3197.

Exporters seeking to participate in ministerial missions are advised to contact the Department of Trade & Industry, London.

صكذا من الاصل

Uncertainty: can China sustain its dramatic growth performance? Cathyn Tremain

Expansion: India could be one of the next "miracle" economies Tony Andrews

Economic outlook

Growth for the global village

The juxtaposition of expanding economies and areas of tension is symptomatic of profound changes that will affect the prospects of all exporters, says Peter Norman

Glance at any recent forecast for the world economy, and the outlook has rarely appeared better. Throughout the industrialised world, most economists seem to be looking forward to a long period of steady growth and low inflation.

Typically bullish is the London Business School (LBS), one of Britain's premier forecasting bodies, which in its recent international economic outlook predicted strong 3 per cent growth for the Group of Seven leading industrialised countries this year and in the medium term.

The Economist Intelligence Unit has come to similar conclusions in its latest quarterly global forecast. It expects the top 20 industrial countries as a group to grow at rates of between 2.5 per cent and 3 per cent a year between now and the end of the century.

But anyone looking at newspaper headlines could be forgiven for harbouring doubts. Over the past four months, the world has witnessed a grave economic crisis in Mexico that has almost certainly condemned that country to recession this year and cast a cloud over prospects for economic growth throughout Latin America.

In Asia, worries have been growing over the sustainability of China's dramatic growth performance in the light of stubborn inflationary pressures and the unresolved questions about the country's political and economic future after the era of Deng Xiaoping.

Relationships and linkages among the industrialised countries have been jarred by disorder on the currency markets. The weakness of the dollar against the D-Mark and the yen in the first quarter has prompted concern about the competitiveness of the German and Japanese economies. In Germany's case, the D-Mark's strength against the dollar and many European currencies helped persuade the Bundesbank's policy making council to lower short term interest rates at the end of March, rather than raise rates, as expected earlier.

In Japan, the surge of the yen has caused anguish among government and business leaders who now fear a delay in the recovery from the nation's longest recession since the Second World War and growing pressure on the country to invest abroad at the expense of jobs at home.

In fact, unemployment remains an abiding problem in most countries of the industrialised and developing world. In January, according to the latest standardised figures from the Organisation for Economic Co-operation and Development (OECD), some 7.5 per cent of of the labour force were unemployed in its 25 industrial member states. Although down on the peak levels of a year ago, this represented enforced idleness for nearly 35m people. In addition, untold millions in non-industrial countries are jobless.

Co-operation among countries to deal with these problems is at a low ebb. Indeed, the US response to the Mexican crisis caused serious strains among the G7 countries. Like Mexico, a significant number of industrial countries, notably Italy, Sweden and Canada, are overburdened by debt and paying the price through high real interest rates.

But many economies in the industrialised as well as the developing world are performing well. The problem in the US, for example, has been one of achieving an orderly slow down in growth to head off inflationary pressures.

Britain, which last year enjoyed a rare combination of strong growth, low inflation and good demand for its exports, faces similar difficulties on a smaller scale.

Giants are stirring outside the charmed circle of OECD countries. India, having discovered market oriented economic policies in the early 1990s, could be one of the next "miracle" economies. Indonesia is another populous country that is growing rapidly.

The good news is that world trade growth is strong. The LBS estimates that world trade grew by almost 9 per cent last year after growth of just 3 per cent in 1993. In the medium term, it expects world import demand will grow at just under 7 per cent a year, comparing favourably with average growth of 4.1 per cent a year between 1976 and 1985 and 6 per cent annually between 1986 and 1990.

Strong exports underpinned the unexpectedly robust economic recoveries of Britain and other European Union nations last year. Demand for capital goods - especially in the rapidly growing emerging market economies of Asia – has helped lift the global economy out of recession and slowdown in the early 1990s.

A striking phenomenon in recent years has been the growing importance of developing nations in world trade. According to the LBS, imports by developing economies grew at an annual rate of 10.2 per cent in 1991-93 compared with 0.8 per cent for the EU countries as a group and 2.9 per cent for the OECD.

Looking ahead to 1994-98, the LBS expects world trade will grow at 7.2 per cent annually. While OECD area trade is expected to grow by a relatively modest 5.2 per cent a year, trade among many developing countries should be much stronger. Continuing strong trade growth is anticipated among the Asian countries.

The business school's forecasters project a 16 per cent annual increase in China's trading activities in the 1994-98 period and more than 10 per cent trade growth for the other developing Asian nations as a group.

The above juxtaposition of buoyant global growth and areas of significant tension is symptomatic of the profound changes under way in the world economy that will affect the business plans and prospects of all exporters for years to come.

Sir Terry Burns, the UK Treasury's permanent secretary or top official, pointed out recently that the process of globalisation, which first took hold in financial markets, is now reaching out into the markets for goods and even labour.

With modern communications technologies, the cost of acquiring, processing, handling and spreading information has fallen dramatically. The present generation of information technologies mean it is possible for international businesses to control production operations or supply services across different continents with ease.

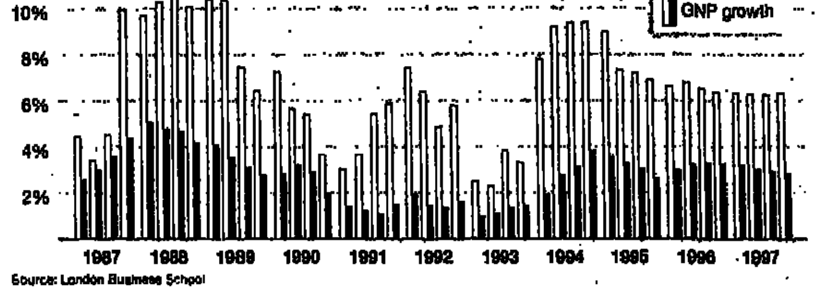
Globalisation is also affecting consumers. Peoples' tastes, standards and price expectations are shaped increasingly by television and international travel. Their ability to spend has been made more easy through the widespread availability of internationally acceptable plastic credit and debit cards.

For many people, the keenly anticipated information superhighway is likely to mean more opportunities to purchase goods from around the world from the comfort of their own living rooms.

These changes mean companies everywhere are confronted by new competitors. Barriers that have protected national markets are falling around the world. Consumers know that if they are faced with poor quality products or services, they can easily obtain satisfaction elsewhere.

These changes mean that the global market place has never been more competitive. On the other hand, the present global economic upswing offers huge opportunities for exporters. Those that are nimble and competitive should find that the world is their oyster.

World trade and GNP



Source: London Business School

The single currency debate

The business world agrees to differ

Smaller companies are more positive about cutting currency transaction costs than their bigger brethren, says **Gillian Tett**

Tim Melville-Ross, the director general of the Institute of Directors, does not mince his words: "Other than going to war, no decision could be more important," he noted recently when asked whether Britain should join a European single currency.

His comments may sound melodramatic. But as the debates about European Monetary Union (Emu) proceed, it is already stirring up a type of battle fever among Britain's exporters.

For though there still seems little likelihood of Emu occuring before 1999, the implications of a possible single currency is generating almost as diverse a range of opinions in the British business world as in Westminster itself.

On one side of the debate stand commentators, such as Richard Brown, director general of the Association of British Chambers of Commerce (ABCC), who insists that British exporters would lose out if they were left outside a single currency area dominated by Germany and France.

"There is no doubt that the majority of British exporters would support a single currency – it would cut down export costs and take us a step closer towards a real single market," he says.

However, on the other side stands Mr Melville-Ross and others who think like him. They fear that the loss of monetary control which a single currency would entail could have harmful economic implications for the broader British economy – and thus business prospects.

"In my view a single currency cannot be made to work in Europe in the foreseeable future," he argues, insisting that the IoD "does not agree" that most senior businessmen are united in support of a single currency.

Outside the limelight, opinion among businesses is highly mixed about the advantages and disadvantages of joining. The ABCC itself estimates that half its members support a currency union, while the other half do not.

A recent CBI survey gave a rather stronger endorsement to the concept, with a quarter of businesses supporting it strongly, and only 4 per cent believing that the UK should remain outside any monetary union.

But as an official with one of the leading industrial groups admits: "Every time we raise the subject with our members at a council meeting we end up with an argument – it is stirring up real feeling."

To a certain extent, the split within business opinion reflects the fact that British exporters are far from a homogenous breed.

Melville-Ross: 'single currency cannot be made to work in Europe in the foreseeable future'

Richard Brown: 'the majority of British exporters would support a single currency'

One dividing factor is size. The concept of eliminating the cost of currency transactions for trade within the European Union, for example – a factor which is often cited as one of the potential advantages of EMU – tends to be much more attractive to smaller companies.

Overall, the European Commission itself estimates the savings in currency transactions costs could amount to about 0.25 per cent of gross domestic product across the EU.

But as Mr Brown of the ABCC, which has a large proportion of small exporters, points out, small companies rarely have the means to engage in complex operations to hedge their currency – meaning that they face relatively higher currency transaction costs and are particularly vulnerable to currency swings. And though British exporters have generally benefitted from sterling's recent weakness against the D-Mark, many smaller companies still insist they would prefer greater currency stability.

William Burrell, managing director of the Bruderer group, which sells precision presses and imports a large number of components from Germany, says: "The one good thing that a single currency could bring about would be stability. For that reason I think it would be a good thing – although how they would actually manage it I just don't know."

However, bigger companies, which are better able to manage and hedge their currency exposure through developed treasury operations are apt to be more cynical.

"The savings to currency transaction from a single currency would be peanuts," says Stanley Kalms, of the large retail group Dixons, who is openly opposed to the concept of a currency union. "Currency stability is a reflection of many other factors, such as a country's ability to manage its economy."

Indeed, even among some medium sized companies there are doubts whether currency union would be feasible without greater economic integration across Europe.

Martin Taylor, managing director of Bridgeport Machines, which sells a large proportion of its machine tools to the rest of Europe says: "All this recent currency turmoil shows exactly why a currency union won't work at the moment. You can't press ahead with something like that when you have the economies of different parts of Europe developing in different ways."

However, the second factor which is apt to divide opinion stems from the nature of the UK export market, which – unlike that of many other EU members – remains fairly evenly split in its EU and non-EU orientation.

Exports to Europe currently account for about 60 per cent of all UK exports – a figure that has grown rapidly in recent decades. However, exports to North America still account for about 15 per cent of the total, and a large proportion of the remaining trade with the Middle East, Latin American and Far East markets is conducted in dollars.

Consequently, although currency union has attractions for some exporters to Europe, many exporters to non-European countries fear that currency union could weaken their business in dollar-based commodities – not least because these exporters have generally benefitted in recent years from sterling's longer term decline against the D-Mark.

Defence exporters, who predominantly deal in dollars, for example, are already voicing their concern about currency union.

Meanwhile Mr Melville-Ross warns that the oil trade would be another possible victim. "Were a European single currency to harden against the dollar, the countries most dependent on oil exports would suffer disproportionately. As an oil producing nation and a significant exporter to the US, Britain would be one of the losers," he says.

Nevertheless, even on this point there are differing opinions. For example, David Simon, chief executive of British Petroleum, accepts that Europe must maintain exchange rates that are competitive with the US and Pacific Rim.

However, he believes that Britain should be involved "right at the start" of any economic convergence "so we can play a full part in designing the mechanics of how the system will operate, such as ensuring accountability of the Central Bank".

Mr Simon himself insists that his opinion is based on technical and political facts. "Phasing out the pound and replacing it with a single European currency is not an emotional issue for me personally," he insists.

But in that respect he may be unusual. For with the future of a single currency still shrouded in uncertainty, in the last instance it is still political instincts, rather than hard business logic, that guides many exporters' reactions. And although the economic implications of any union may become clearer as the end of the decade approaches, the political heat in the debate is likely to only grow.

Export and credit collection survey

Country	Exchange Delays (months)	Collection Experience	Most liberal Suggested Terms	Country	Exchange Delays (months)	Collection Experience	Most liberal Suggested Terms
Australia	2	Good	OA	New Zealand	3	Good-fair	30/SD
Brazil	4	Fair	ULC	Nigeria	2	Fair	CLC
Canada	2	Good-fair	OA	Oman	3	Good-fair	SD
Chile	3	Good-fair	SD	Pakistan	3	Fair-good	SD
Egypt	4	Fair-good	ULC	Philippines	2	Fair-good	ULC
Ghana	3	Fair	SD	Saudi Arabia	3	Fair	SD
Hong Kong	2	Good-fair	30/SD	Singapore	2	Good-fair	30/SD
India	2	Fair	ULC	South Africa	3	Good-fair	SD
Indonesia	3	Fair-good	SD	South Korea	2	Fair-good	SD
Israel	3	Fair-good	SD	Thailand	3	Fair	SD
Jamaica	2	Fair	SD	Trinidad & Tobago	3	Fair-good	ULC
Japan	2	Good	30/OA	Turkey	3	Fair	ULC
Kenya	4	Fair-poor	ULC	UAE	4	Fair-good	ULC
Kuwait	2	Fair-good	SD	US	2	Good-fair	60/SD
Malaysia	2	Good-fair	SD	Venezuela	5	Poor	ULC
Mexico	3	Fair-good	SD	Vietnam	4	Mostly LC	ULC

Footnotes: 1. OA - open account; ULC - unconfirmed letter of credit; SD - sight draft; 30/SD - 30 days sight draft. 2. Exchange delays refer to the time taken from the due date for the importer to deposit local currency with the central bank or other authorising body and for foreign currency to be deposited with the exporter. 3. Collection experience refers to the risk attached to exchange delays. 4. Individual experiences can vary considerably, depending on the relationship with the buyer, type of goods etc. 5. All of the above countries appear in the UK department of trade and industry's List of Target Markets.

Source: Financial Times International Trade Finance, a bi-weekly newsletter published by Financial times Business Enterprises.

Export finance: payments problems

Confidence undermined

Jon Marks and **Kevin Godier** analyse changes in the credit standings of export markets

The Mexican currency crisis undermined confidence in a booming emerging markets investment industry, caused runs on several currencies in newly industrialised countries, and jeopardised borrowings in the international capital markets. But overall, the impact of the run on the peso has been relatively limited for exporters seeking access to trade finance in emerging markets.

The export finance market possesses a natural caution, especially so when compared with the more adventurous approach of, for example, emerging markets investors. Consequently, fluctuations in the pricing of deals are often less extreme than for other forms of financing.

Bank margins have risen for deals in Mexico itself but, overall, few modifications have been made to levels of credit and insurance available, even in the pricing of trade deals in markets which suffered knock-on effects from the peso crisis.

Forfaiters – specialist financiers who purchase trade paper from exporters at a discount based on their assessment of buyer risk – report that margins have risen sharply for Mexican debt. Moreover, forfaiters' willingness to deal in Mexican paper has declined. Mexican trade paper which could be sold at less than 3 per cent over Libor before the crisis, subsequently rose to about 7 per cent.

Letters of credit (l/cs) are still available, but "in Mexico, people are still waiting to see what will happen when it comes to short-term financing", a banker says. "For medium and long-term borrowing there is no problem: banks are still coming in on syndications and are not changing their quotes."

Thailand and the Philippines were targeted by currency speculators in the wake of the peso crisis, but this has not been reflected in the price and availability of trade finance.

"There is more business on open account than two to three years ago, and we recognise that the Philippines is an improving market," says Terry O'Reilly, an underwriter with UK short-term credit insurer NCM Credit Insurance.

Problems facing exporters in the first half of 1995 are continuing to come from trade financiers' traditional areas of concern, mainly the Middle East and former Soviet Union.

Iran's short-term debt problems continue to affect exporters, who argue that doubts still surround the country's ability to settle all its outstanding overseas obligations. Some exporters report that precedence is being given to those creditors opening new business.

However, as the effects of a series of bilateral reschedulings are more widely felt, there are some promising signs. Germany, Iran's largest trading partner, has re-opened state insurance cover for l/c based deals.

In the UK, smaller creditors have been promised settlement on demand for short-term debts up to $50,000. For larger debts, the first repayments are expected this month under a schedule drawn up for the Iranian authorities by Credit Suisse. Debts of up to $250,000 will be paid in full, larger repayments in instalments.

Exporters to many east European markets are still obliged to secure payments with cash against documents. This is mainly due to western banks' lack of familiarity with new local banks and companies. In problem markets, finance is only available when well-known local institutions are involved.

For Russia, a few l/c deals are now possible. Sales of white goods have been made on a 30-60 day basis through Turkish and Cypriot banks, European exporters report. This is becoming an established niche as the Russian market looks to expand its trade with the west on credit-based terms.

Forfaiters report interest in the Russian market, with "good possibilities for short-term trade-related business commodities". Banks including WMB Capital Markets say they are now able to discount paper from several of the newer Russian banks for up to one year, marking a step forward in Russia's ability to finance deals.

Bulgaria is another market where exporters are finding increased potential for commercial funding. Several European export credit agencies are reappraising their cover for the country as the impact of Bulgaria's debt rescheduling in 1994 filters through into the economy.

Agreement on the rescheduling offered a fresh start after Sofia's declaration, in 1990, of a moratorium on all its international obligations. "There is now a basis on which to consider more deals," a regional specialist says. "Everything is short-term business, and most bankers are looking for cash cover, but 90 days appears to be a reasonable credit period now. For a few deals we can be more generous."

Forfaiters can discount trade paper up to 180 days from the established Bulgarian Foreign Trade Bank (BFTB), but some bankers are also prepared to do business with newer institutions.

New markets are also emerging in the Middle East, where western bankers are looking more favourably at Lebanon, where reconstruction has triggered increasing recourse to commercial borrowing and export credits. Rebuilding demands were partially met by a $400m Eurobond issued last September.

However, with external debt as low as $764m, according to official figures issued in October, Lebanon is also set to access significantly more trade credit.

London bankers are willing to extend their credit ceilings as demand rises. Access to credit depends on which local bank the buyer works with in a system which is over-banked and still generally lacking transparency. Top-tier Lebanese banks are creditworthy and most trade finance activity tends to focus on these institutions.

Commercial finance for the Palestinian economy will generally be unobtainable until local banks become established, but other forms of funding may soon be available. The Palestinian Monetary Authority (PMA) is setting up a bank monitoring unit with the help of the Bank of England and the IMF. The PMA has issued a licence for the first Islamic trade and project finance bank to be set up in Gaza. The Islamic Arab Bank will offer mainly short-term and commodity finance based on *morabaha* (cost-plus financing), offering the potential for deals transacted on an Islamic basis according to techniques increasingly used by western exporters to Moslem countries.

The UK's Export Credits Guarantee Department (ECGD) has recently made three types of insurance cover available for Gaza and Jericho to support UK exports to Palestine, mainly on an aid-funded or capital projects basis. Meanwhile, large-scale demand for machinery and power generation equipment is reflected in a steady stream of medium-term credits for India. "The two year-plus medium-term appetite for Indian lending is increasing," says a UK banker.

OECD export credit rates

Minimum interest rates for officially supported export credits (%)

	Apr 15- May 14	Mar 15- Apr 14
Australian $	10.57	10.65
Austrian Sch	8.08	8.21
Belgian franc	8.98	9.15
Canadian $ (to 5 years)	9.14	9.58
Canadian $ (5 to 8+ yrs)	9.28	9.68
Canadian $ (over 8+ yrs)	9.49	9.82
Danish krone	9.10	8.80
Ecu	8.80	8.76
Dutch guilder (to 5 years)	7.45	8
Dutch guilder (5 to 8+ yrs)	7.95	8.30
Dutch guilder (over 8+ yrs)	8.55	8.75
Finnish markka	10.20	10.30
French franc	8.63	8.77
German mark	7.49	7.91
Irish punt	9.81	9.62
Italian lira	12.31	11.31
Japanese yen	*4.30	4.30
New Zealand $	9.15	9.65
Norwegian krone	8.18	8.28
Spanish peseta	13.08	12.37
Swedish krona	11.70	11.27
Swiss franc	6.16	6.34
UK pound	9.55	9.63
US dollar (to 5 yrs)	7.89	8.25
US dollar (5 to 8+ yrs)	8.05	8.37
US dollar (over 8+ yrs)	8.14	8.44

**Rate change on 22 April to 3.40 Source: OECD*

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FT EXPORTER 24

Exporter's calendar of general and specialist trade fairs, May-October 1995

General trade fairs
Sept 12-16 - Ho Chi Minh City - Viti
Oct 24-28 - Johannesburg - Saitex
Oct 30-Nov 2 - Singapore - Trade & technology

Agricultural events (including related machinery)
May 9-12 - Tehran - Agrofood
Oct 8-12 - Riyadh - Agriculture and irrigation

Aircraft and aerospace
Jun 11-18 - Paris - SIAE
Aug 17-20 - Taipei - Tate
Aug 9-13 - Vancouver - Aerospace/airport equipment
Sept 26-29 - Frankfurt - Inter Airport

Audio visual equipment
May 23-25 - Hong Kong - Midem-Asia
Oct 7-15 Ghent - Sound & Vision

Books and publishing
Jun 3-6 - Chicago - ABA
Jul 20-24 - Hong Kong - Book Fair
Oct 3-7 - Barcelona - Liber

Building/construction equipment and services
May 17-20 - Singapore - Sibex
July 29-Aug 1 - Johannesburg - Afribuild
Sept 27-30 - Ho Chi Minh City - Vietbex
Oct 18-22 - Bologna - Saie
Oct 21-29 - Nicosia - Ecodomica

Chemicals, cosmetics and pharmaceuticals
May 15-20 - Beijing - Achemasia (Chemical Engineering)
Sept 4-6 - Utrecht - Dropher

Clothing, fashion and footwear
May 10-12 - Miami Beach - Bobbin Contexpo
May 10-12 - Bologna - Lineapelle
May 16-19 - Paris - Interselection
May 27-29 - Rimini - Incontri di Merceria
Jun 23-25 - Florence - Pitti Bimbo (Childrenswear)
Jun 25-27 - New York - NAMSB
July 9-10 - Dusseldorf - Firstview
Aug 4-6 - Cologne - Herren-Mode-Woche
Aug 20-22 - Munich - Mode-Woche
Sept 10-12 - Dublin - Moda Ireland
Sept 29-Oct 1 - Madrid - Iberpiel (Fur & Leather)

Computers, office machinery and telecoms
May 11-14 - Bangkok - C&C
Jun 20-22 - New York - PC Expo
Sept 21-25 - Milan - Smau
Sept 25-27 - Helsinki - KT Data
Oct 23-27 - Utrecht - Interoffice

Display and shop equipment
May 3-6 - Frankfurt - Marketing trade
May 20-23 - New York - Nadi
Oct 10-13 - Paris - PLV

Electrical/electronic engineering
Jun 12-16 - Paris - Intertronic
Sept 6-9 - Dortmund - Elektrotechnik
Oct 11-14 - Hong Kong - Consumer electronics
Oct 18-21 - Shenzhen - Consumer electronics

Food & drink/catering
Apr 30-May 3 - Las Vegas - Gourmet products
May 9-11 - Brussels - ESE (Seafood)
Jun 13-16 - Nantes - Agrologistica
Jun 19-23 - Bordeaux - Vinexpo
Jun 20-23 - Ho Chi Minh City - Food processing
Jun 27-29 - Dublin - Bakex
Aug 10-14 - Hong Kong - Food and beverages
Sept 30-Oct 5 - Cologne - Anuga

Healthcare
May 17-20 - Brussels - Expomed
Jun 6-8 - New York - MD&M
Sept 21-24 - Essen - Gesundheit

Household furnishing and equipment
Apr 26-30 - Copenhagen - Furniture
Apr 29-May 7 - Porto - Expomovel
May 19-23 - Cologne - Interzum
May 20-23 - New York - Contemporary furniture
Aug 24-27 - Oslo - Mobel
Sept 17-21 - Utrecht - Interdecor
Sept 23-26 - Lyon - Meuropam

Jewellery and giftware
Jun 2-5 - Milan - Chibidue
July 8-11 - Dortmund - NRW
Aug 13-17 - Toronto - CGTA
Sept 1-5 - Paris - Bijorhca

Mechanical engineering
May 3-5 - Helsinki - Mecatec
May 25-29 - Cairo - Lindumac
July 7-10 - Hong Kong - MEX/SMT

Mining
July 25-27 - Mackay - QME

Printing and stationery
May 5-18 - Dusseldorf - Drupa
May 20-23 - New York - Stationery

Safety, fire control and security
Jun 17-21 - Kortrijk - Alarm
Jun 21-24 - Brno - Interprotec
Aug 29-31 - New York - ISC Expo East
Sept 27-30 - Berlin SITECH

Scientific and medical
Sept 5-8 - Copenhagen - Scanlab
Oct 4-7 - Innsbruck - Micro-Surgery

Ships and boats
May 18-21 - Casablanca - Sea Mer
Jun 13-15 - Beijing - Multimodal
Jun 13-16 - Oslo - Nor-Shipping
Aug 11-13 - Atlanta - AMTE

Sports equipment
Apr 26-29 - Taipei - Sporting goods
Jun 25-27 - Paris - Sisel-Sport
July 16-18 - Chicago - Sports Expo
Aug 22-25 - Munich ISPO - Autumn
Sept 1-3 - Madrid - Fidec
Oct 27-29 - Stockholm Snowshow

Toys
Oct 19-22 - Essen - Spiel
Feb 1-7 '96 Nuremburg - Toy fair

Water and air treatment
Apr 26-27 - Dublin - Water & Environment
Sept 11-14 - Durban - IWSA
Oct 3-6 - Paris - Pollutec

For details of these events contact Exhibition Bulletin
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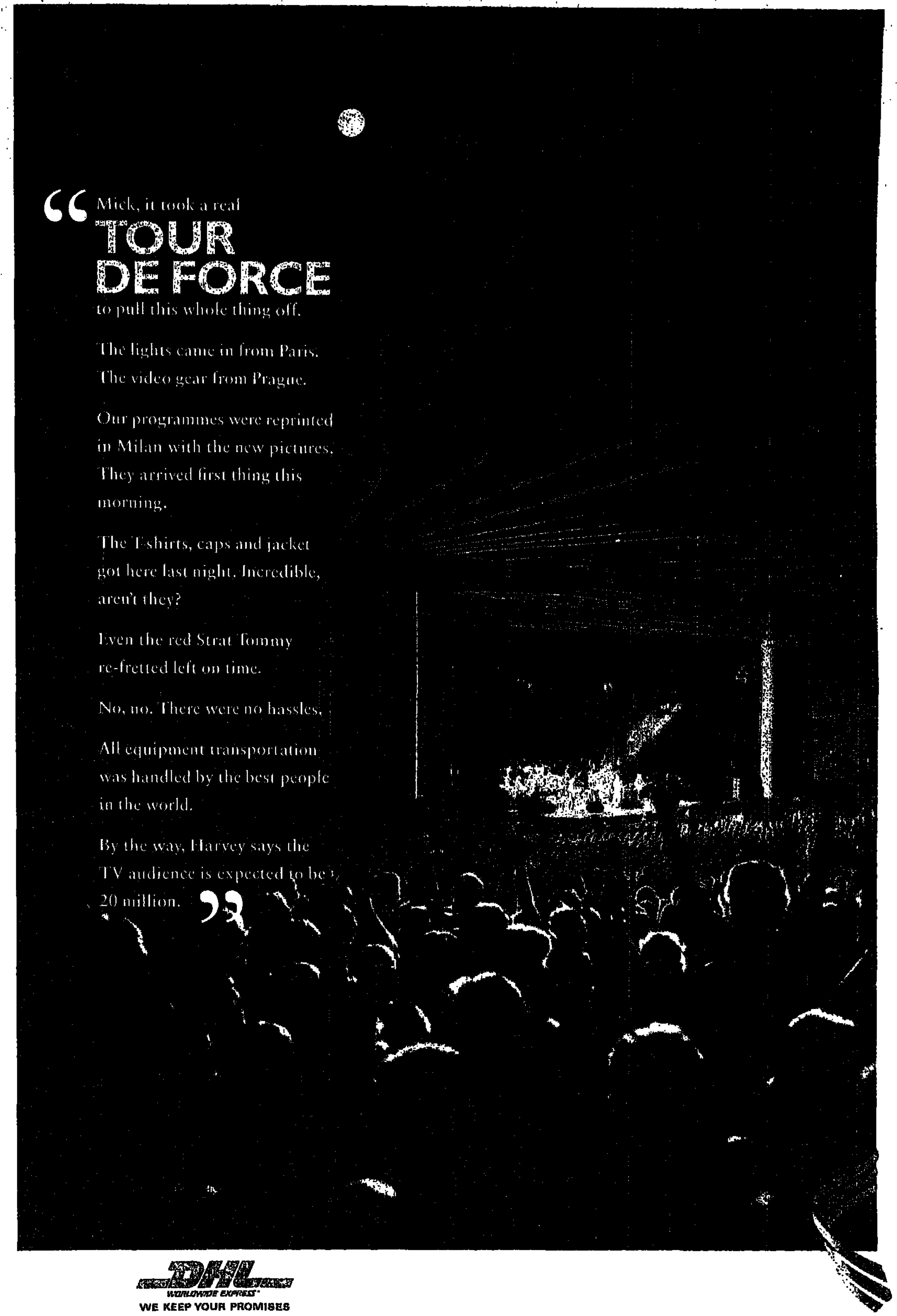

EXPORTERS IN ACTION: A series of case studies looks at how effectively exporters in various countries have succeeded in penetrating overseas markets

Exporters in action: Fage of Greece

Fresh idea finds a rich market

An encounter with a tourist helped push a food processor's products into foreign markets, says **Kerin Hope**

Greek exporters have grown accustomed in the past three years to working in an uncertain environment. The war in Bosnia has blocked the main overland route from Greece to northern Europe, bringing sharp increases in transport costs, while the strength of the drachma against other European currencies has cut profit margins for many companies.

Such obstacles, however, are shrugged off by Greek fresh food producers who have managed not just to maintain their niche markets abroad but to enlarge them with unexpected speed.

Fage, the Athens-based dairy producer which started selling Greek yoghurt in Britain a decade ago, is among the Greek food processors that have steadily expanded sales elsewhere in Europe. The value of Fage's exports jumped from Dr2.8bn in 1992 to Dr4.1bn last year, while volume increased from 5.8 tonnes to 6 tonnes over the same period.

Fage introduced standardised milk products to Greece in the mid-1970s under a process developed by Kyriakos Philippou, a chemical engineer whose success in producing a unique brand of strained yoghurt transformed his family's small dairy business into one of Greece's largest food processors.

Greek yoghurt was previously produced and sold by individual farmers or small dairies which processed either sheep's or cow's milk, with few controls on quality and a shelf life lasting only a few days. The strained variety, considered a delicacy because of its rich creamy texture, was often hard to find.

Fage's strained yoghurt, made from cow's milk, had a shelf life of three weeks, which meant it could be distributed throughout Greece and also sold abroad.

Mr Philippou said: "We started exporting more or less accidentally. The incentive was a British tourist who walked into our plant one afternoon and said he wanted to become our representative in London. He still is."

At first, Fage exported to Britain by air, selling to delicatessens in London. But improvements in processing extended the product's shelf life to accommodate a 48-hour journey by refrigerated truck and the supermarket requirement of at least three weeks' life.

A steadily increasing flow of British tourists to Greece also helped Fage to boost exports. As the company's domestic distribution network was extended to include small outlets on resort islands, the Total brand of strained yoghurt became more accessible to holidaymakers.

Britain is still Fage's biggest market abroad, accounting for more than 35 per cent of export sales last year, followed by Italy with 30 per cent.

However, Fage has made no concessions to northern European patterns of yoghurt consumption. Instead of switching to small cups, the company stuck to larger containers designed for the domestic market.

"Yoghurt is eaten in Greece not as a dessert but as a light meal, and that's how Total is seen by foreign tourists. So we decided there was no need to change the size of cup or style of packaging for the export market," Mr Philippou says.

Fage's yoghurt exports are forecast to grow by 7 per cent in volume this year, mainly through the expansion into newer markets such as Germany, Austria and Scandinavia.

But earnings growth will be squeezed in Britain because of tightening margins at supermarkets, which has kept down price increases, and in Italy because the drachma has strengthened considerably against the lira, says Damianos Hadjikokkinos, financial director of Dafnos, the holding company for the Philippou family's group of companies.

So far Fage has enjoyed a near-monopoly of strained yoghurt exports from Greece.

But this may soon be challenged by Delta Dairies, Greece's biggest fresh milk producer, which entered the local yoghurt market last year with a varied product range and plans to start exporting as soon as its domestic base has become established.

Delta would also have the advantage of a close relationship with Danone, the largest French food company, which includes agreements for marketing each other's products.

Mr Philippou acknowledges that Fage could secure its market position and grow faster by manufacturing yoghurt elsewhere in Europe. With transport costs accounting for 6 per cent of the retail price of Fage yoghurt in Britain, the company has considered setting up a manufacturing plant in Ireland.

But Mr Philippou says he is unwilling to lose control over Fage's technology for making strained yoghurt: "We could manufacture in Ireland without difficulty, but I would worry that the finer points that make our yoghurt-making process unique would become common knowledge on the European dairy market."

Instead, Fage plans to start exporting standardised feta cheese, the white cheese made from sheep and goat milk which is as much a staple of the Greek diet as yoghurt, and is popular with tourists in Greek salads.

Like yoghurt before Fage entered the market, most feta is currently produced by small cheese makers without the necessary facilities for ensuring quality control, and sold to restaurants and supermarkets in 15kg tins.

Fage is already producing feta cheese in small vacuum packs for both domestic consumers and for export. "It is the same principle as exporting yoghurt – a niche market based on quality," says Mr Philippou.

Tourism helps: outlets on resort islands made the yoghurt accessible to holidaymakers *Tony Andrews*

Exporters in action: Porcelanosa of Spain

Quality control the pillar of success

Spain's biggest exporter of ceramic tiles says it can easily compete with the best Italian companies, writes **Tom Burns**

New product lines of glazed floor tiles, designed for luxury living rooms, grace the entrance area of Porcelanosa's huge production plant at Villarreal, eastern Spain. The firm's quality control team installs them there for three month periods to examine how they withstand the wear and tear of the plant's 400 employees.

Quality is one pillar of a successful export drive by Spain's dominant ceramics producer. Design is the other.

Porcelanosa's 20-strong design unit attends the ceramic industry's two big annual fairs, Bologna's in October and the one held in Valencia, close to Villarreal, every March. Some 80 per cent of the global ceramics business attends these two fairs but Porcelanosa's designers are increasingly to be found monitoring the changing trends of consumer tastes at a wide range of fashion conventions.

Created in 1975 and with export revenues of Pta1.6bn ($12.8m) by 1984, Porcelanosa now earns more than 60 per cent of its income outside Spain. Exports sales from Porcelanosa products and from its subsidiary ceramic company Venis totalled Pta10.7bn in 1993 and were above Pta14bn last year.

Aimed at the upper range of the consumer market, Porcelanosa targets its exports at the European Union – and specifically at Germany, France and the UK – which accounts for 76 per cent of its foreign sales and is in the process of building up its presence in the US and in Canada where export sales represent 12 per cent of the total.

The move into North America – Porcelanosa has six dealers in Canada and it has started to open its own stores, seven so far, in the US – reflects the maturity of the European market. In both continents the Spanish company's strategy is to track the top Italian firms which have made Italy the world leader in ceramic design and in ceramic tile production.

"Dealers pick up one of our tiles," says Ramōn Bellmunt, Porcelanosa's export manager "hold it up against the light to examine it, run their fingers over the enamel, scratch the surface with their nails, rap it with their knuckles and say "Italian isn't it'".

Italy has set the standards by which the Spanish industry – centred on Villarreal – lives. Porcelanosa, by far the biggest Spanish exporter of tiles, says it has proved that it can compete without difficulty with the best Italian companies.

Part of the confidence is based on a production process that has consistently sought to incorporate new technology. The Villarreal ceramic producers switched from coal-fired energy to natural gas in the 1980s and Porcelanosa, which subsequently built up its own co-generation plant, pioneered a single-fired production system for the area. The system enables the clay base for the tiles and their glazing to be fired as part of the same process.

Production advances have helped Villarreal's ceramic sector establish a reputation for quality. Porcelanosa has also taken the battle into the Italian camp by seeking excellence in design.

The company's designers, who have their studios and laboratories on the main production site, monitor fashion tastes closely. A flexible production process, allowing for a wide product range – Porcelanosa has more than 300 designs in its catalogue – is essential for ceramic exporters as tastes vary widely.

Mr Bellmunt's export department has established that, on a general basis, German clients prefer the geometric designs which the British reject and that UK customers buy soft pastel colours and flowery patterns which have limited sales in Germany. Bright white tiles favoured in Spain, in southern France and in Italy are toned down into shades of ivory for the UK consumer and to almond for the US market.

Another key feature of Porcelanosa's export drive, particularly in the UK and the US, is what the company calls "the educational experience". The idea is first to show clients that tiles should not be necessarily confined to the patio, the bathroom and the kitchen and then to wean them away from other floor materials such boards, carpets and synthetic products.

Seminars or teach-ins that expound the virtues of ceramics are staged for architects, designers and builders. Porcelanosa believes that the business will continue to grow if it persuades the public that tiles have their place all over the house.

Export finance: payment transfers

Commission toughens its stance

Nicholas Lansman finds Europe concerned to speed up the flow of funds across the EU, control costs and provide customers with the right information

The European Commission has drawn up two proposals for legislation in a bid to encourage the speedier flow of funds across the European Union. The first seeks to regulate the transfer of remittances by banks and encourage a more efficient customer service. The second aims to speed up the payment of invoices, which is sluggish where more than one member state is involved.

Transferring money between banks across the EU is still slow and costly. In 1994 the Commission, in one of its most detailed studies, arranged for more than 1,000 cross-border transfers of Ecu100 (£80) to be made. The results exposed the poor service provided by the banking sector with double charging occurring in 42.5 per cent of the transactions, and sender fees averaging Ecu24, almost a quarter of the sum transferred.

The average time delay for funds to reach their destination was 4.6 days. The survey also discovered that 68 per cent of bank branches visited did not have printed information on cross-border transfers.

A draft directive drawn up by the Commission aims to increase information available to the customer, minimise delay for the transfer of funds and eliminate double charging, where banks mistakenly charge the receiver of funds when the sender has paid the necessary fees.

Following closely the voluntary guidelines of the European Credit Sector Associations (ECSAs), the directive calls on banks to give customers information on how a transfer can be made, its cost and how long it will take. It also provides a requirement for *ex post* information in the form of a statement once the transfer has been made.

The directive's purpose is simply to reinforce the banks' stated practice concerning transfer delays. Unless the institution has informed the customer of its time-scale for completing a transfer, a maximum delay of six days is imposed. The legislation also includes an article on compensation for late payment or "lost" transfers.

The proposals aim to eradicate double charging by automatically assigning all charges to the originator. The onus will be on the banks to ascertain if a customer's instruction differs from this. Any charges which are deducted without authority must be refunded.

The Commission's proposals have not been welcomed by all. National Westminster Bank believes a voluntary code would produce better results. Early in 1994 it launched NatWest Relay, a fixed price payment system for making low-value cross-border payments. The service covers more than half the EU member states, and more countries are set to join following negotiations. The scheme guarantees that the full amount of the transfer is received by the beneficiary within of six days for a single fee. In the UK, this is £9.

But other financial institutions support the need to improve transfer systems. IBOS, the interbank online system set up three years ago by the Royal Bank of Scotland and Banco Santander of Spain, praises the Commission's approach. The IBOS network covering over 4,000 locations sends cross-border transfers electronically in just under eight seconds.

The Commission's second piece of legislation tackles the widespread problem of late payment. The proposed law, in the form of a recommendation, sets out the principles and methods for improving payment periods and requires member states to implement the measures using their own legal systems. Three areas of improvement are identified:

- Greater openness in contractual relations, particularly in cross-border transactions where pleading ignorance of "customary practice" will no longer be acceptable as an excuse for late payment.
- Better balanced contractual relations. This attempts to improve the imbalance created when large companies abuse the freedom to determine payment periods when dealing with smaller businesses.
- Stronger punitive measures to deter late payers from breaking contracts to gain financial advantage.

Many payment difficulties occur due to poorly defined contracts. Payment periods are often vaguely expressed as "payment within 30 days", without a specific starting point, such as the delivery or invoice date. The recommendation requests clarity in commercial contracts, including the precise date when payment falls due.

To speed up legal procedures and increase interest on late payments the proposed legislation puts forward three measures:

- A request that member states recognise the right of creditors to interest on arrears as soon as the contractual or statutory period has been exceeded.
- A proposal to set an appropriate level of interest, which should effectively dissuade bad payers.
- A call for fines to be paid by late payers, over and above interest, to cover administrative and legal costs incurred in the recovery of outstanding monies.

Export finance: the Multilateral Investment Guarantee Agency

Protection against the unpredictable

The World Bank agency's guarantees help reassure those planning to invest in countries with volatile political and economic climates, writes **Jon Marks**

A gold mine in Peru can offer a rich seam of opportunity for foreign contractors and substantial benefits for a host country urgently needing to increase its export revenues. But who is prepared to take the risk in a volatile political and commercial environment?

The allocation of guarantees by a World Bank agency, the Multilateral Investment Guarantee Agency (Miga), helped Peru to secure its first major inward investment in 20 years – the $45m Minera Manacocha gold mine.

Miga issued insurance cover to the foreign partners, providing $6.4m to France's Compagnie Minière Internationale Or and $7.8m to Newmont Second Capital Corporation of the US to cover the risk of expropriation, war and civil disturbance. This was not available in the private market. The mine, in northern Peru, is expected to yield about $34m a year in exports.

The provision of guarantees for private sector projects in developing countries has become a priority for international financial institutions (IFIs). Traditional World Bank and other credits to state organisations are no longer seen as an adequate means of supporting development in countries where the private sector is emerging as the motor behind growth.

Companies and commercial banks from the industrialised world are increasingly seen as a solution. The World Bank is developing this capacity through its new guarantees and the intervention of its private sector affiliates, the International Finance Corporation and the smaller Miga. As an agency affiliated to, but financially independent from the World Bank, Miga was created in 1988 to insure foreign private investment into developing countries.

Insurance against the political risk in uncertain market conditions "gives comfort to investors that they have long-term protection against a group of risks which are inherently unpredictable in their nature", says Gerald T West, Miga's senior guarantees adviser.

Miga's role is growing. Thirty-seven guarantee contracts issued by the agency in the first nine months of its current fiscal year ending June 30, 1995, provided $365m in cover, only $8m less than in the whole of fiscal 1994. The agency has 128 full-member and 22 imminent member countries. Only Australia, New Zealand and Mexico are absent among major industrialised subscribers.

"The expansion of Miga's membership has been critical to our recent success," Akira Iida, Miga's executive vice-president, said recently. "Potential investors know they can turn to Miga for insurance cover in most developing and transitional countries".

Miga can provide guarantees up to 2.5 times its capital and reserves. An imminent change in the rules to provide for a 3.5 to one ratio is expected to allow Miga to increase its capacity by $1bn to an aggregate of some $3.5bn. This should help overcome the criticism voiced by some that the size of the agency means that it often does not have the capacity to intervene in big ticket projects.

The fastest growing sector for applications is big infrastructure projects, especially so-called Build-Operate-Transfer (BOT) schemes where the construction consortium operates the project, for example a power station, for an agreed period to recoup costs and generate a profit.

Structuring these remains problematic because of the limited ability of commercial lenders to provide long-term financing in markets with difficult local conditions and unclear legal structures. And also due to the limited availability of host country guarantees.

An expanded role for Miga is seen as essential in a world opening up to increasing volumes of foreign direct investment (FDI) in manufacturing, mining and other projects in regions, such as eastern Europe, Latin America and Asia.

These ventures involve serious political risks, including possible losses from curtailed currency transfers, expropriation, war and civil disturbance.

By employing Miga's guarantee facility, often in conjunction with other agencies, investors were able to protect $1.3bn in direct investment in fiscal 1994 against such occurrences.

Demand for Miga guarantees is greatest in Latin America, especially for export-oriented mining projects.

In Chile, Miga combined with the Export-Import Bank of Japan to provide $19.8m in cover for Sumitomo Corporation's 20 per cent share in the La Candelaria copper-gold project. The export of concentrates for final processing is anticipated to produce more than $12bn in overseas sales during the scheme's more than 30-year life.

Continued on page 27

Brokerage increasing

Continued from page 22

Kit Brownlees, managing director of political risk brokers Investment Insurance International (III), says brokering countertrade related political risk insurance at Lloyds of London and among other private companies "comprises a significant part of our business – possibly around 30 per cent".

He adds that the main takers of such insurance are banks and traders involved in deals with eastern Europe which can concern, for example, deliveries of metals, oil and hops from countries in the region.

III brokes similar risks for countertrade deals in Africa and South America. Typical commodities involved in deals with these regions include coffee, cocoa and sugar.

In the UK, the government does not provide specific export credit insurance support for countertrade transactions – unlike, say, in France where special government-backed credits are in place to support, for example, sugar-for-wheat deals between Cuba and French traders.

Ideally, many LCR members would like to see similar specialised credit insurance support from the UK government – and they have increasingly pressed for this in talks with officials at the Department of Trade and Industry.

However, short-term export credit insurance, into which category countertrade-related cover would normally fall, is now handled by the private market following the sale over three years ago of the Export Credits Guarantee Department's short-term division.

Thus the government lacks a ready vehicle for such support, even if it was inclined to provide it. And the general feeling appears to be that the private political risk insurance market is able to offer sufficient cover.

This issue aside, LCR representatives have regular meetings with DTI officials designed to raise the profile of members' activities. "We want British trade offices around the world to be constantly in touch with what we can offer," says Mr Linger.

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Export finance: countertrade

Professional involvement widens

Alan Spence finds that barter is no longer a simple goods for goods arrangement – insurance, commercial finance and more legal processes are all now part of such deals

Trading solution: sugar cane plantation in Brazil

Countertrade is not for the faint-hearted, but exporters believing it may provide them with a trading opportunity – or the possible solution to a soured deal – will find a broad range of countertrade skills and services available in the UK.

These are found largely in and around London, which arguably has taken over from Vienna as the world's countertrade capital.

Vienna's pre-eminent role as a countertrade centre largely stemmed from an accident of geography.

When the Iron Curtain descended across post-war Europe, the Austrian capital stood on the divide between a cash-strapped communist bloc and the west. The former needed the latter's goods and services, but could not pay for them. Enter the countertraders – bankers, traders and middlemen capable of generating deals which normal commercial logic often suggested should not happen.

Leading formal institutions at the heart of Viennese countertrade, such as Centrobank and AWT International Trade and Finance, remain actively involved in countertrade business – offering their services to clients worldwide.

But many of the small traders and individuals – often with central European backgrounds – who also formed the backbone of the Viennese countertrade community, are no longer around. They have either died or retired.

Moreover, the collapse of communism diminished the importance of Vienna's geographical location.

"These days countertrading increasingly takes place in a variety of locations, including Singapore, Paris, Berlin, Amsterdam – and London," says Alan Linger, head of structured trade finance at Standard Bank in London.

Mr Linger is also secretary of the London Countertrade Roundtable, an umbrella body set up in the late 1980s to foster and promote London as a countertrade centre.

"These days, countertrade is not so cut and dried," says Mr Linger. Traditionally, countertrade deals were problem-solving entities in themselves – straight goods for goods barter deals, but, more commonly, counter-purchase transactions where two parties agreed to purchase goods from each other.

"They were complicated enough, but at least they were self-contained," says Mr Linger. "Now it's a different story – they often involve a lot more input: export credits, different types of insurance and commercial finance, much more legal involvement."

This wider professional involvement, which can additionally include, for example, the use of sophisticated price-hedging techniques on the London commodity futures markets, is reflected in the membership list of the LCR.

This includes banks such as Standard Bank and Kleinwort Benson (which is associated with Vienna's Centrobank); commodity brokers and dealers; private consultants, representatives from the accountancy and legal professions – and a leading political risk insurance broker.

Jonathan Wood, partner in international law firm Clyde & Co, is one of the newer members. Clyde & Co has offices in a number of locations where countertrade business can emerge with regularity – including Venezuela, Brazil and Russia.

"Countertrade deals these days are a matter of some legal intricacy," says Mr Wood. Central to the need to establish legally watertight deals is the general absence of sovereign guarantees.

The privatisation of former state trading companies in eastern Europe and elsewhere has removed an important source of comfort to western exporters and traders in an area of commerce often riddled with uncertainties.

Until recently, in the event of a deal collapsing, recourse to state-backing was often available. "People knew where they stood," says Mr Wood. This has all changed, he adds.

Clyde & Co's involvement in a countertrade deal can often begin with a close examination of the financial status of its client's trading partner. It can sometimes end in overseas courts, pursuing compensation claims for deals where the buyer failed to perform.

The legal aspects of countertrade have now become sufficiently important for the International Bar Association to have its own countertrade sub-committee to monitor and analyse developments in this area of commercial law.

Another defining contribution made by London to international countertrade is the provision of political risk insurance cover for finance involved in such deals.

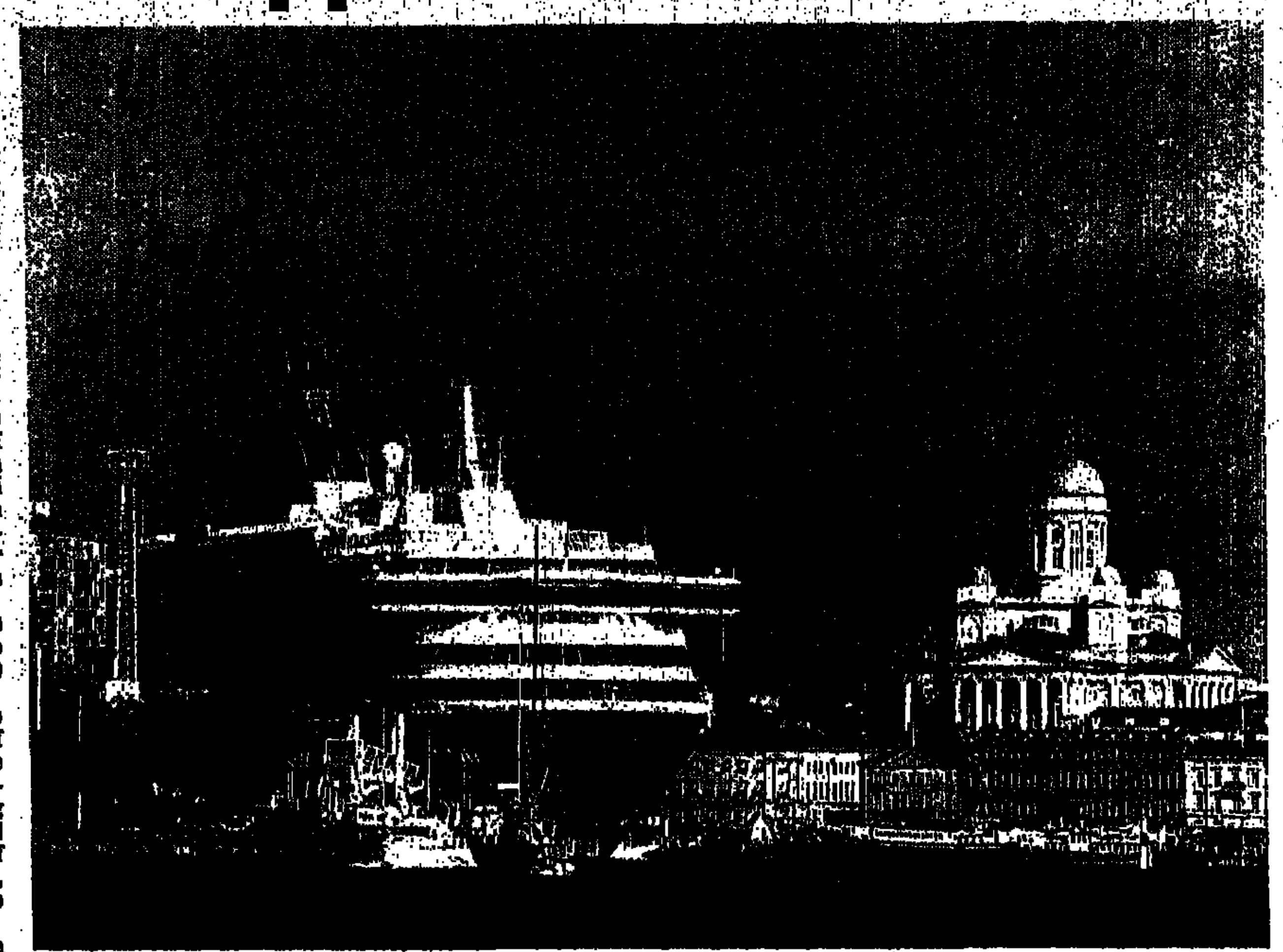
Continued on page 23

Tool maker tackles world markets

Exporters in action: Design Talo of Finland

Home front support for Russia

Hugh Carnegy looks at a small company's part in the build-up in cross-border trade between Finland and its eastern neighbour


Helsinki: in the post-war era, trade with the Soviet Union became an important pillar of the Finnish economy Tony Andrews

Finnish companies are better placed than most of their European counterparts to take advantage of the opportunities that are opening up in the former Soviet Union.

Ruled by Russia before its independence in 1917, Finland has hundreds of years of experience of dealing with its big eastern neighbour, with which it shares a 1,200-km frontier. In the post-war era, trade with the Soviet Union became an important pillar of the Finnish economy, accounting for more than 25 per cent of Finland's exports at its peak in the mid-1980s.

The trade collapsed along with the Soviet regime, contributing to the deep recession Finland suffered between 1990 and 1993.

Slowly, cross-border trade is building up again, reaching more than 7 per cent of exports last year. Today, however, the trade is based on lower-level, company-to-company dealing, rather than on the big scale, government-to-government arranged trading that characterised the old way of Finnish-Soviet business. In the new era, the onus is on individual companies to seek out Russian markets for themselves.

One unlikely company which has taken advantage of the transformation in Russia is Design Talo, a small firm making wooden houses for private clients in the northern industrial city of Kemi. The experiences of Design Talo offer an insight into the opportunities – and difficulties – involved in doing business in Russia.

Design Talo's owner and manager, Esa Kurkela, was a typical victim of the catastrophic collapse of the Finnish construction sector in the early 1990s. Mr Kurkela had been running a company making more than 500 private houses a year in the late 1980s, employing 300 people. When the Finnish market for private housing plunged from 10,000 units a year to 2,000, Mr Kurkela's business went bust.

As he struggled to get going again with Design Talo, Mr Kurkela was willing to listen to offers of business from anywhere. So when Erkki Hurtig, a business associate and owner of a networking consultancy, heard two years ago that the local authority in the Russian city of Cherepovits, 600km north of Moscow, was looking for a company to supply municipal guesthouses, he approached Design Talo.

"We took a car and drove the 14 hours to Cherepovits, through the snow and the cold," says Mr Hurtig. "The radiator froze and it was a terrible journey. But we got there, we met with the municipality and the building engineer, and we looked at the area where they wanted to build."

Mr Kurkela decided to prepare a bid to build two houses. Drawing up the details, preparing a contract and finally reaching a deal with the Russians took several arduous months. The deal involved bringing into Russia all the materials needed to build the houses and all the labour from Finland.

Design Talo insisted on full payment in advance – a sum of about FM700,000. The local authority agreed, but the payment was slow in coming. Faxes were exchanged.

"Finally, the Russians said the problem was they didn't have any Finnish markka, only dollars. We laughed and said just send us the dollars," says Mr Hurtig.

The houses were built and the Cherepovits authorities were pleased with the outcome. They ordered four more houses from Design Talo. Mr Kurkela, still anxious for new business, was happy to oblige.

But expanding further in Russia is by no means an easy option, especially for a small company, such as Design Talo, which is beginning to see business in its home market pick up once more.

For the second contract Mr Kurkela managed to include a significant proportion of Russian workers in the workforce, under the supervision of a Finnish foreman.

But the difficulty of obtaining quality local products meant the bulk of the building materials and interior equipment had to be imported at great expense and inconvenience from Finland.

Payment, too, continued to be a problem as Finnish banks are reluctant to accept guarantees from Russian banks.

Doing business with the Russian private sector – even with the growing "new rich" who potentially would be good customers for a company building high-quality villas – is even more difficult. Private customers, says Design Talo, are more reluctant to pay fully in advance and much more prone to query the final product.

"With a private client you have to have much more detailed contracts to narrow down any room for disputes over payments. They are understandably concerned about dishonest companies that may be out to make a quick profit," says Mr Hurtig. "You have to build up trust and that takes time."

Design Talo has undertaken one private contract in Cherepovits, renovating a restaurant. But the company is now increasingly reluctant to get deeper into the Russian market in its present state. "It is too hard. What we want to do more is to sell our know-how to them, rather than carrying out the whole building project. That is what they need in Russia – to build up their knowledge," says Mr Hurtig.

Exporters in action: Arbed of Luxembourg

Overseas sales stand for survival

Based in a tiny country, one of the world's largest steel producers must rely on foreign markets, writes **Simon Gray**

Exporting may be synonymous with development and growth in most European countries, but for the industrial sector in Luxembourg, a country with barely more than 400,000 inhabitants, it stands for survival.

For no company is that more true than for Arbed, the Luxembourg-based steel company which was founded in 1882 on the (now exhausted) iron ore deposits of the Grand Duchy's mining basin. Over the decades Arbed has grown into a multinational group which ranks today as the third largest steel producer in Europe and the fifth largest in the world.

For steel firms in German, France or Britain, their home market represents up to 70 per cent of sales," says Jean-Claude Lecomte, a spokesman for TradeArbed, the principal commercial organisation of the Arbed group. "For us in Luxembourg it is only 5 per cent."

Given the location of the Arbed group's plants, its core markets are the Benelux countries, France and Germany, where Arbed mills sell 63 per cent of their long products and 54 per cent of their flat products.

In the group's terminology, "exports" refers to sales outside Europe, which represent 23 per cent of long products and 27 per cent of flat products. It is these sales which are carried out by TradeArbed.

Last year export sales totalled just under 2m tonnes of group products and a similar amount from non-group sources. In the future this figure will certainly be higher because of the acquisition of flat products manufacturer Stahlwerke Bremen, formerly Klöckner Stahl

The company once had a centralised, "department store" structure but a restructuring of the Arbed group in 1993 into sectors of activity and autonomous business units, reoriented TradeArbed towards managing the group's global sales network, acting as a sales agent for the new business units in non-core markets, and co-ordination of the group's trading activities.

Today the global network is divided into four: TradeArbed Europe, based in Luxembourg and covering western Europe and Turkey; TradeArbed New York, covering the Americas; TradeArbed Singapore, covering the Far East; and TradeArbed Exportation, also based in Luxembourg and covering the rest of the world.

Worldwide, TradeArbed employs 400 staff and has subsidiaries and agents in more than 50 countries. Most recently it established a presence in Ho Chi Minh City, Vietnam, reflecting a drive to built up sales in the newly industrialising economies of Asia. China has been the focus of a sales drive since the mid-1980s, when an office was established in Beijing by TradeArbed Singapore.

Arbed regards its reliance on exports as a constant discipline. "Exporting forces us to be competitive," Mr Lecomte says. "We have to compete with American mini-mills in the United States, the Japanese in Asia and increasingly Korean exports."

Arbed first set up a sales subsidiary in the US in the 1920s and today the group's structure there, Arbed Americas, employs more than 500 people.

While sales in the US include output of Arbed mills in Luxembourg, Belgium and Germany, TradeArbed New York also sells non-group products, especially from Eastern Europe, when demand is particularly heavy.

This trading activity enables the sales structure to survive events such as the plummeting of the dollar.

Exports on the move: packaging certification

Delivery precautions pay off

Tony Bush finds that a stamp of approval can lower the cost of going to court over damaged products

A "stamp of approval" is now available to help exporters who fear costly litigation where disputes arise over goods damaged during delivery.

An increasing number of exporters are turning to the US-based International Safe Transit Association (ISTA), whose packaging certification is widely accepted as representative of "best practice" techniques.

Courts generally recognise that exporters who receive the association's imprint have done their best to protect their products in transit and any compensation costs awarded against them will generally be considerably lower.

ISTA has designed a programme to help manufacturers of any product reduce handling damage to "acceptable minimums".

These tests determine the ability of packaged goods to withstand shock and vibration. The association says its programme is based on the premise that "all manufacturing, engineering and quality efforts are in vain if the product arrives at its destination in a damaged condition".

ISTA's co-operation with shippers, packaging suppliers, testing laboratories and carriers enables it to establish and monitor a standardised programme of pre-shipment testing, certification and identification of packaged products. The Safe Transit Seal is used to identify packaged products that meet ISTA criteria.

Those eligible to become members of ISTA are shippers, laboratories engaged in certifying packaged products in accordance with ISTA specifications, carriers, and what are referred to as "sustaining" members – those that provide the industry with design and consultancy services, packaging materials or capital equipment.

According to Ben Parsons, president of ISTA, the association is used by industry as "a damage limitation exercise".

The cost of going to court over damaged products can be substantial, says Mr Parsons, who is also a business manager at UK-based Pira International, a consultancy and research organisation for those suppliers and users of packaging. "But, if it comes to it, Pira will act as an expert witness on behalf of ISTA members."

He says that costs against defendants have in some cases been as low as 10 per cent of what might have been the case if the packaged product had not been certificated by ISTA.

"There is an increasing tendency to turn to legislation," he says.

Against this background, exporters should exercise greater caution and ensure products are correctly packaged and that they use reputable carriers.

"Another precaution that can be undertaken is to instruct an agent at the point of delivery to witness the unloading – and he should also have a camera with him," says Mr Parsons.

In many cases, damage cases end up in court because the products involved affected had been heading for a production line – and without them production is brought to a halt. Estimates of lost output can then often become the basis of a claim, rather than just compensation for the damaged product itself.

"Insurance companies will take note if certified packaging has been used," Mr Parsons says. "That certificate will help, as will the fact that we will be fighting the client's corner. And we should be able to defend a situation as long as no incorrect material has been used."

Many things can go wrong in during the transit process but high temperatures and dampness are the most common problems.

However, Mr Parsons says that as long as exporters have used test houses and put their products in good packaging, litigation can normally be avoided.

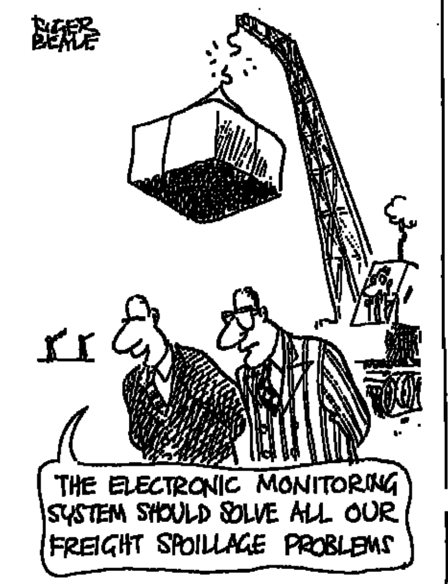
ISTA provides a training video showing how to "damage test" products before they are dispatched. The video is designed to help exporters improve the accuracy of pre-shipment testing. It, for example demonstrates test equipment operating skills such as those needed for drop and incline impact testers and environmental chambers.

Further details: contact ISTA's Chicago office. Tel: (312) 645 0083. Fax: (312) 645 1078.

Exports on the move: precise packaging

Testing the damage boundaries

A device which records the strains endured by cargo during transit will help reduce breakages



A black box called the Saver is living up to its name by helping reduce damage to goods in transit. The device is set to become an important instrument in the field of "precise packaging" – an industry bid to eliminate breakages and cut out excessive padding materials.

The cost of damaged cargo is rising throughout Europe. Two countries have added up what they believe it is costing their exporters. Sweden puts annual losses at between Ecu100m and Ecu200m and Germany estimates its exporters' bill at about Ecu450m.

A by-product of the US Space Programme, the Saver, manufactured by Lansmont of Dallas, Texas, comprises the latest technology and accompanies cargo to record the strains endured.

The size of two cigarette packets, the Saver has 2.4 megabytes of storage capacity and records a variety of data, including the day, time, temperature, humidity and levels of pressure, vibration and shock.

Previously this function was carried out by "wiring up" products and having someone travel with a consignment recording vibrations and shock; or by use of an Electronic Data Recorder (EDR), a device similar to the Saver, but without its wider range of capabilities.

The Saver has eight different channels compared with the EDR's four and a range of additional functions. For example, it can split the measurement of vibration and shock, allowing separate assessments of their impact.

"Over any given period of time we can record what damage might be caused," says Ben Parsons, business manager, distribution and testing services, for UK-based Pira International.

Pira – a leading consultancy and research organisation for manufacturers, suppliers and users in the packaging, paper and board and printing and publishing industries – sees its role as providing advice and practical help in a number of areas, including design, materials and performance testing, legislation compliance, life-cycle analysis, recycling and packaging manufacturing.

In "source reduction" (the protection of products and elimination of unnecessary packaging), Pira acts as a scientific investigator. Its task is to look at a product and assess how it might be damaged during transit.

"The idea is to wipe out the problem before the journey begins and, at the same time, reduce the packaging required," says Mr Parsons.

"We ask many questions. Can we take a particular packaging material out of the system? Can we use recycled materials? Are there ways of strengthening materials to make them more suitable for re-use?" Mr Parsons believes many exporters remain unconcerned about packaging. "They just don't worry. They expect – or hope – it will do the job. And invariably if anything goes wrong transport or warehouse companies get blamed, often quite incorrectly."

Pira can help exporters by testing a product's endurance. "We will put it through a regime that will take it to its limits and the chances are something will crack of break or a part will be shaken out of place."

Once the damage boundaries have been established, Pira can then advise clients what modifications a product might need and/or specify what level of packaging is required for, for example, a particular environment.

At this stage, it may be decided to insert the Saver into the product, or its packaging, to record precisely the environment it encounters on its journey from warehouse to customer.

When the results are analysed, Pira can advise on what cushioning forces are required to prevent similar damage occurring in the future.

One company that used the Saver's predecessor, the EDR, is J&B Scotland, part of the International distillers and vintners group IDV. George Wardrop, quality manager, projects, says that on one occasion it was necessary to check the forces bottles of whisky and vodka were subjected to in the firm's internal distribution chain.

The EDR was placed in a corrugated shipping case that was then purposely dropped off the rollers at the end of the production line, to produce "a timed event", and then taken in the normal way to a warehouse 3,000 metres away, where it was palleted and stored.

Mr Wardrop says that for any subsequent trial, J&B will probably use the Saver.

"The EDR gave us a lot of information. In fact, we got what we asked for but we would have also liked to measure compression forces, which it wasn't capable of giving us. We would be able to get those from the Saver."

Tony Bush

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FT EXPORTER 20

Alison Lloyd Ally, Capellino director: the fashion house decided collecting debts was diverting too much attention away from designing clothes

Export finance: factoring

Credit insurers help ease payment collection

As companies trading abroad increasingly leave credit control to the experts, Alan Spence finds that a greater range of services could become available

Forfaiting rates

	Period years	DM %	US$ %
AMERICAS			
Argentina	1	*	*
Brazil	5	8 7/16	*
Chile	5	7 5/8	9⅝
Colombia	5	7 7/16	*
Mexico	1	*	*
Peru	1	8 11/16	*
Uruguay	2	8 7/16	*
US	7	6 13/16	7 13/16
EUROPE			
Croatia	1	*	*
Cyprus	5	7 7/16	8⅝
Czech Republic	5	7 7/16	10⅛
Denmark	5	6 13/16	8
Finland	5	6 13/16	8
France	7	6 13/16	7 13/16
Germany	7	6 13/16	7 13/16
Greece	3	7 13/16	9½
Hungary	5	7 11/16	10⅝
Italy	5	6 13/16	8⅛
Norway	5	6 13/16	8
Poland	5	7 13/16	10⅜
Portugal	7	6 13/16	8 1/16
Romania	1	9 11/16	10⅞
Slovakia	3	9 13/16	1½
Slovenia	5	8 7/16	11⅛
Spain	7	6 13/16	7 13/16
Sweden	5	6 13/16	8
Turkey	3	8 13/16	*
UK	7	6 13/16	7 13/16
AFRICA			
Botswana	3	*	*
Ghana	0.5	9 7/16	9 7/16
Kenya	2	*	*
Morocco	5	3 13/16	11⅝
Namibia	1	*	*
South Africa	7	7 1/16	10 11/16
Tunisia	5	7 11/16	9⅝
Uganda	1	*	*
Zaire	1	*	*
Zambia	1	*	*
Zimbabwe	1	9 7/16	10
ASIA & AUSTRALASIA			
Bangladesh	2	8 13/16	*
China	5	7 13/16	10⅛
Hong Kong	3	7 5/16	8¼
India	5	7 5/16	10⅝
Indonesia	5	7 13/16	10⅝
Malaysia	5	7 5/16	8⅝
Nepal	0.5	9 7/16	9 7/16
Pakistan	2	8 7/16	10⅝
Singapore	7	6 5/16	7 13/16
South Korea	5	7 5/16	8⅝
Sri Lanka	2	8 13/16	10⅝
Taiwan	7	7 5/16	8 5/16
Thailand	5	7 1/16	8⅝
Vietnam	5	9 13/16	*
MIDDLE EAST			
Bahrain	5	7 7/16	8⅝
Egypt	5	8 5/16	*
Kuwait	5	7 7/16	8⅝
Lebanon	3	8 5/16	11
Oman	5	7 7/16	8⅝
Qatar	5	7 7/16	8⅝
Saudi Arabia	5	7 7/16	8⅝
UAE	5	7 7/16	8⅝

LIBOR	US$
6 months	6 7/16
1 year	7⅛
2 years	7 1/16
3 years	7 5/16
4 years	7¼
5 years	7 5/16

These indications are shown on a basis of discount to yield, assuming six monthly repayments. Three year transactions are calculated with an average life of 1¾ years, five-year arrangements with a life of 2¾ years. Indications apply only to immediately available business. Commitments up to six months call for a slight rate increase. The standard commitment fee is 0.1 per cent a month, but can vary according to the risk. * Subject to negotiation – No information available.

Rates provided by Indosuez Aval Ltd, 17 St Helen's Place, London, EC3A 6DE. Telephone: +44 (0) 71 522 0034. Telex: 888319. Inquiries: Janine Barber, Andrew Freeman, Alison Elliott, Isabel Russell.

Ally Capellino is a UK fashion design house with next season's collections constantly in mind. But behind the scenes, factoring company Lombard Natwest helps to keep the designers' products on the catwalk by looking after another sort of collection.

Lombard NatWest and Ally Capellino struck up a relationship almost a decade ago when the emerging fashion house decided that collecting debts was diverting too much attention away from designing clothes.

The company, with an annual turnover of about £1m, has clients in many countries including the US, Japan, Taiwan, Singapore, Italy, Greece, France and Belgium.

Simply administering exports across such a range of markets would be time-consuming enough for a relatively small exporter. But chasing up late payments takes even more time and adds to costs. Language barriers, local trading customs and differing legal practices are among the problems. So Lombard Natwest runs the sales ledger, although Ally Capellino director Jonathan Platt has constant access to the figures. "What we do best is design clothing," he says.

However, factoring is not just about collecting payment; it also protects debts and helps fund cashflow.

Lombard NatWest, for example, assesses Ally Capellino's clients for credit-worthiness, establishes credit limits and guarantees approved accounts are paid in full – even if the customer subsequently defaults.

Moreover, as soon as the company raises an invoice against delivery of goods, Lombard NatWest will provide the exporter with funds up to 80 per cent of its value – with the balance paid on receipt of funds.

Factoring exists wherever "open account" business takes place, says Lombard NatWest marketing director David Kilburn.

Open account trading occurs where clients have a good credit rating and the countries in which they are located do not have a habit of interfering with currency payments.

The factoring process begins – and sometimes ends – with a credit assessment. "We tell the supplier whether its client is good for £50,000, £25,000 or nothing," says Mr Kilburn. Sometimes Lombard NatWest may not feel comfortable with the risk. So it may suggest instead that, if the exporter still wishes to go ahead with the sale, it should do so only *after receiving a confirmed letter of credit* from the client.

Business accepted for factoring is evenly divided between those who want a collection service and those wanting both collection and funding of payments.

Lombard NatWest, in common with other factors, presses hard for overdue payments.

"If we say we will sue, we sue," says Mr Kilburn, "otherwise we would lack credibility". He adds that Lombard NatWest has not hesitated to put companies into administrative receivership.

The cost of factoring varies, depending on the nature of the services offered and whether other payment guarantors, such as an export credit insurance agency, are involved.

The cost of guaranteed payment collection services range between 1 per cent and 3 per cent of the value of invoices, depending on the number and value of invoices involved. If an export credit insurer, such as NCM Credit Insurance, is separately guaranteeing payment, Lombard NatWest, for instance, will cut charges by 0.5 per cent to 0.8 per cent.

In cases where exporters are seeking finance from the factor, an additional charge of, typically, 2 per cent to 3 per cent above bank base rate will be made.This ends when the factor receives payment from the buyer.

The fundamental features of factoring have remained more or less unchanged for many years. However, the prospect of increased involvement by credit insurers could mean a greater range and availability of factoring services to exporters.

NCM, for example, says it is keen to explore new areas of business with factoring companies and has built up close relationships with several, apart from Lombard NatWest, including International Factors, Griffin Factors and Alex Lawrie.

One way NCM helps factoring companies is by providing an endorsement which makes them into a joint insured party on the exporter's policy. This gives the factor extra security when providing services to the exporter.

Traditionally, exporters using factoring services have come from the manufacturing sector. However, more and more exporters of services are using them.

According to Paul Hancock, sales and marketing director at International Factors, about 50 per cent of the company's clients are in the distribution and services industries. Mr Hancock says it is particularly important for such exporters to administer their sales ledger tightly as their issued invoices often represent their only major asset.

Another key trend in international factoring is the increasing number of countries with whom it is possible to conduct factored business.

Paulo Bolzoni, director of planning and marketing at Amsterdam-based Factors Chain International(FCI), says that in eastern Europe, for example, Hungary and the Czech Republic are markets where factoring is becoming increasingly possible.

He adds that the Far East, including China, is a key growth area for factoring.

FCI members account for about half of international factored business, which the of organisation says was worth about $20bn in 1994. The remaining $10bn is primarily accounted for by the International Factors Group followed by a number of independent factors including Lombard NatWest.

Alan Spence is Editor, International Trade Finance, a bi-monthly Financial Times newsletter.

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Exporters in action: Trumpf of Germany

Tool maker tackles world markets

An extensive network of subsidiaries gives a relatively small manufacturer a global presence, writes Frederick Stüdemann

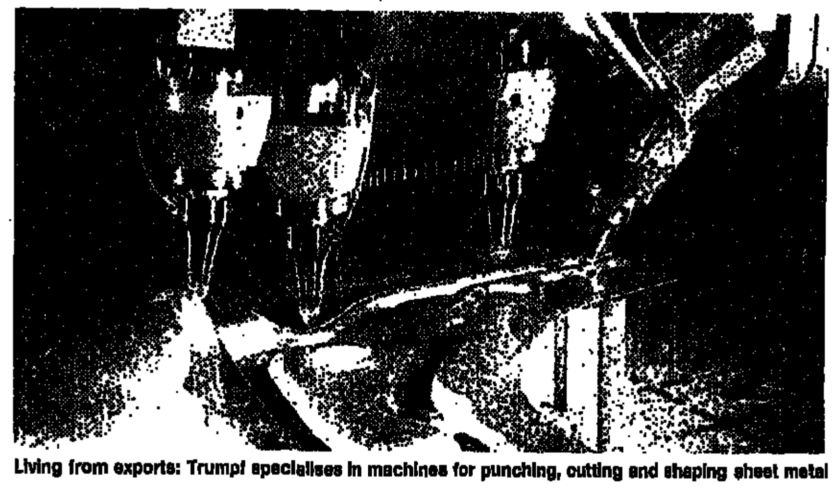
According Ludwig Litzenberger, distribution director and board member, German machine tool maker Trumpf "lives largely from exports" with roughly two thirds of sales taking place outside Germany.

The privately-owned *Mittelstand* company, based in the southern German state of Baden-Württemberg, was established in 1923 and specialises in machines for punching, cutting and shaping sheet metal and had a turnover of DM624m in the year to end-June 1994.

Trumpf's main markets are Europe, where non-German sales make up roughly 38 per cent of total turnover, the US and Asia, which account for 20 per cent and 12 per cent respectively.

Trumpf began exporting in the early 1950s and since then has established an extensive network of subsidiaries and dealerships in more than 50 countries. As well as manufacturing in Germany, where more than 60 per cent of Trumpf's annual output of 840 machines are made, the company also has factories in Austria, Switzerland, the US and France. Along with many German engineering companies, Trumpf sources components from eastern Europe, particularly the Czech Republic.

Of the 13 subsidiaries, nine are in Europe, two in Asia and one each in the US and Brazil. Their work is vital to Trumpf's exporting strategy as not only do they act as sales offices, but they also provide consultancy and after-sales services to customers.



Living from exports: Trumpf specialises in machines for punching, cutting and shaping sheet metal

This proximity to the customer is, says Mr Litzenberger, vital in the machine tools sector where products are continuously upgraded and in need of maintainance. Also given that Trumpf's machines cost anything between DM550,000 and several million D-Marks, the reassurance that comes from close contact is important.

Alongside the subsidiaries, Trumpf has negotiated about 40 exclusive dealership contracts across the world. According to the size and importance of the market they cover these are also serviced by specialists from Trumpf or dealers are trained by the company.

This combined network gives this relatively small company – it has less than 3,000 employees – a global presence. New markets, such as Vietnam, are then serviced, initially from existing offices in the region, such as Singapore and Japan.

Demonstration centres and trade fairs are vital to the company's overseas sales operations. The company has established sites across the world where customers can view them and discuss their own needs.

Trumpf also takes part in 40 trade fairs a year. "These are extremely important and require a lot of detailed advance planning, which can start up to nine months in advance of the fair," says Mr Litzenberger.

High costs at home and the strength of the D-mark abroad have been overcome by refining the manufacturing process and cutting away internal hierarchies. According to Mr Litzenberger these have created production cost savings of 25 per cent.

Trumpf is also developing slimmed down and cheaper products for the export market. "In Germany we have tended to over-develop products," says Mr Litzenberger.

"By taking away the frills Trumpf can further overcome cost barriers."

In response to the strengthening of the D-Mark the company is expanding its US manufacturing operations. "We will export more from the US, especially to countries whose currencies are linked to the dollar, such as Taiwan," says Mr Litzenberger.

In the medium-term, Trumpf plans to establish a manufacturing operation in Asia with Singapore, where a subsidiary and competence centre was set up two years ago, a possible location. Moving into Asia would bring cheaper production costs and give Trumpf a presence in one of its most promising regional markets.

"If you bring the same competence and service into your foreign markets as you do in your domestic one then you can help overcome the hurdle of currency," Mr Litzenberger says.

Exporters in action: Glynwed International of the UK

Overseas presence crucial to stability

An engineering group sees exports as protection against uncertainty in the domestic market, says Paul Cheeseright

Exports from the UK have started to grow strongly at Glynwed International, the diversified engineering group based in Birmingham. Their value, after edging up in 1992 and 1993 from a low point for the recession of £74m in 1991, rose 24 per cent in 1994 to £135m.

These sales represent 25 per cent of the group's UK manufacturing output and demonstrate the increasing importance of exports to a group which has traditionally been seen primarily as a bellwether of the British economy.

Such a view is largely but not wholly justified. Glynwed's hugely diverse range of sales, running from cookers and catering equipment, through cast iron drain gratings, engineering steels and copper tube to plastic pipe systems and metals distribution, makes it sensitive to movements in large areas of the UK economy.

Further, 80 per cent of the group's physical assets are in the UK and nearly 70 per cent of total group sales, now running at more than £1bn a year, are in the UK.

But an overseas presence has long been significant for Glynwed. Indeed, it was South African operations, later sold, which fended off the full effect of the 1980s recession. In the recovery from the 1990s recession, it has been the recent and growing strength of the continental European economies and the continued strength of markets in the US which helped to raise 1994 pretax profits, at £67.1m, to their highest level since 1989.

Exports increasingly are seen at Glynwed as a protection against the vicissitudes of the domestic market. In comments on likely 1995 performance, Bruce Ralph, the chief executive, says that even without recovery of the UK housing market or capital investment in utilities infrastructure, "our policy of expanding exports wherever possible" and higher productivity would lead to "a further year of progress".

Glynwed is thus exhibiting a trend among the larger manufacturing groups of the West Midlands. The shake-out of manufacturing, which started in the early 1980s, has lifted both productivity and sales horizons.

Companies such as Glynwed see themselves not as domestic but as international companies. Higher productivity has enabled the companies to compete more effectively on overseas markets.

In recent years, help has arrived in the shape of currency movements, starting with the withdrawal of sterling from the European exchange rate mechanism in September 1992 and its consequent devaluation. This year, suggested Albert E. Sharp, stockbrokers, Glynwed "is well positioned to benefit from European recovery and the new-found competitiveness of UK manufacturing, which has been given further assistance by the recent strength of the D-Mark".

The effort to exploit this advantage is spread across a range of subsidiary companies. Sales and marketing at Glynwed is wholly decentralised. This is an inevitable reflection of the wide range of products the group manufactures and distributes and the discrete markets in which the subsidiaries operate.

Equally inevitably, the performance of the subsidiaries is uneven. Last year the continental European markets for the group's plastic products were flat in the first half, but there was strengthening of the plastics division position in the US and Asia.

In a further example, the US maintains trade barriers against hot rolled steel products, but economic recovery in Europe stimulated demand nearer home. Meanwhile cold rolled steel has started to generate revenue in both continental Europe and in countries around the Pacific.

Within the range of Glynwed's materials processing, plastic products will assume a role of greater and greater international importance. It is towards plastics that Glynwed is directing its investment. It will seek to build a leading market position, as it has done in thermoplastic pressure pipework, across a range of selected product areas.

Exporters in action: Asquith of the UK

Heading out on to foreign roads

The replica vans of a small vehicle maker have found their way to a dozen or more countries, says Rhys David

Marketing edge: one of the company's vans in Coca-Cola colours in Warsaw old town

Even within the now depleted ranks of UK-owned motor manufacturers, the Asquith Motor Carriage company, with a current total output of fewer than 50 vehicles, is very much a minnow.

Yet the products it makes at a sprawling factory near Braintree in rural Essex have been helping one of the world's best-known brands, Coca-Cola, to gain a foothold in Poland, the Czech Republic and a number of other markets.

Asquith, a Chesterfield sofa maker turned vehicle manufacturer, is responsible for many of the replica 1930s vans, dressed in the liveries of bread, flowers, sausages, or wines and spirits purveyors, which can be seen in Britain's cities, as well as in Germany, Japan and a dozen or more countries.

Since Crispin Reed, managing director, and his partner realised that there was more interest in the old van they were using to deliver their furniture than in the suites themselves – and turned in 1983 to replica vehicle manufacture – more than 500 have been built, half of which are now on foreign roads.

One of the first export models went to Germany where a McDonald's franchisee was having difficulty persuading enough customers to visit his off-highway location. The answer was to drive one of the Asquith vehicles in McDonald's livery back and forward between two exits on the autobahn with a large notice saying which exit to use.

The trick worked and turnover rocketed. A further 60 vans have also been sold since in Germany.

One of the latest orders is for a vehicle for Coca-Cola's bottlers in Zagreb where it will be used in the city centre to offer samples of the drink to passers-by. They had heard from Coca-Cola in Vienna just how successful the vans had been elsewhere. Other companies which have used the same approach include Bailey's Irish Cream and Orangina, which used an Asquith van for test-marketing its product in New York.

The marketing edge which the vans offer, according to Crispin Reed, is instant heritage. "They are popular, whether for delivery or for static sales, with companies which want an image of being well-established and offering fine products."

They are also often able to reach parts which other vans cannot. Local authorities will for example sometimes allow an Asquith van into a shopping or leisure precinct banned to other vehicles because they add to, rather than detract from, the streetscape.

Yet, in spite of an export ratio of 70 per cent in recent years, it has not all been happy motoring for Asquith, or indeed for its handful of UK competitors. The recession of the late 1980s seriously affected some of the luxury products manufacturers and retailers who were using Asquith vans in the UK for deliveries, and the marketing budget which often supported the purchase of a van was among the first areas to be cut.

The vans – custom-built fibreglass bodies mounted on a standard Ford Transit van chassis – suffer, too, from the opposite of built-in obsolescence. The manufacturing process draws on craft skills from furniture making and boat construction and results in a highly durable and easily repairable product, which, to make matters worse, cannot date any further. As a result the life cycle of each product is long, with a modest but nevertheless healthy after-market also operating for unwanted vehicles.

As a small company employing only 25 people, Asquith has also found it difficult to put as much effort as is required into marketing, despite some help from the Department of Trade and Industry and the Foreign Office. Sales have tended to come from a combination of contacts, recommendations, exhibitions and telephone follow-ups.

Asquith has agents in 13 countries but not all of these are active. Indeed, one of the main factors holding back further expansion overseas, according to Mr Reed, is the difficulty of finding good representation. Essentially, Mr Reed points out, he is looking for entrepreneurial specialists who will understand the product and the marketing needs of potential clients, and not for conventional motor dealers.

As a result of these problems, production of the vehicles, which cost about £35,000, has fallen back from a late 1980s peak of about 75 a year to fewer than 50 this year. After making good profits before the recession the company subsequently slipped into losses.

Last year, however, Mr Reed re-acquired the company from the privately-owned Hunnable Holdings which had taken control in 1984, and a small profit is expected in the current financial year.

The way out of these problems, Mr Reed believes, is through product diversification and there are signs that a potentially profitable market exists in a number of countries for one new product line – vintage taxis and limousines. Well over half the current order book of about 40 vehicles is for limousines with more than half of these destined for Japan – an order worth more than £800,000 to the company.

These vehicles, which have folding rear roof, and burr walnut and leather upholstery interiors, are being targeted at small independent luxury hotels for use in ferrying guests to and from airports and other destinations, and at the hire sector where they are expected to find a market as wedding cars.

A small number of taxis are now on the streets of London and have been marketed to drivers who want to add a weekend hire service for weddings or special events to their normal day-to-day trade. The recent easing of restrictions on where weddings may take place in the UK, opening up the possibility of using historic houses and other unusual locations, is expected to help.

Though it is hoped output will increase this year as a result of the introduction of new products, the business remains under-capitalised for a more serious assault on the market and in particular export markets, and because of its current weaknesses has had difficulty persuading the banks to inject new finance.

"They will be there with the umbrella when it stops raining," Mr Reed rather tartly observes.

As a result, a search is now on for partners who might be willing individually or in a group to inject funds in return for an equity stake of just under 50 per cent. With new funds the objective would be to raise production to two a week, a level at which good profits could be made.

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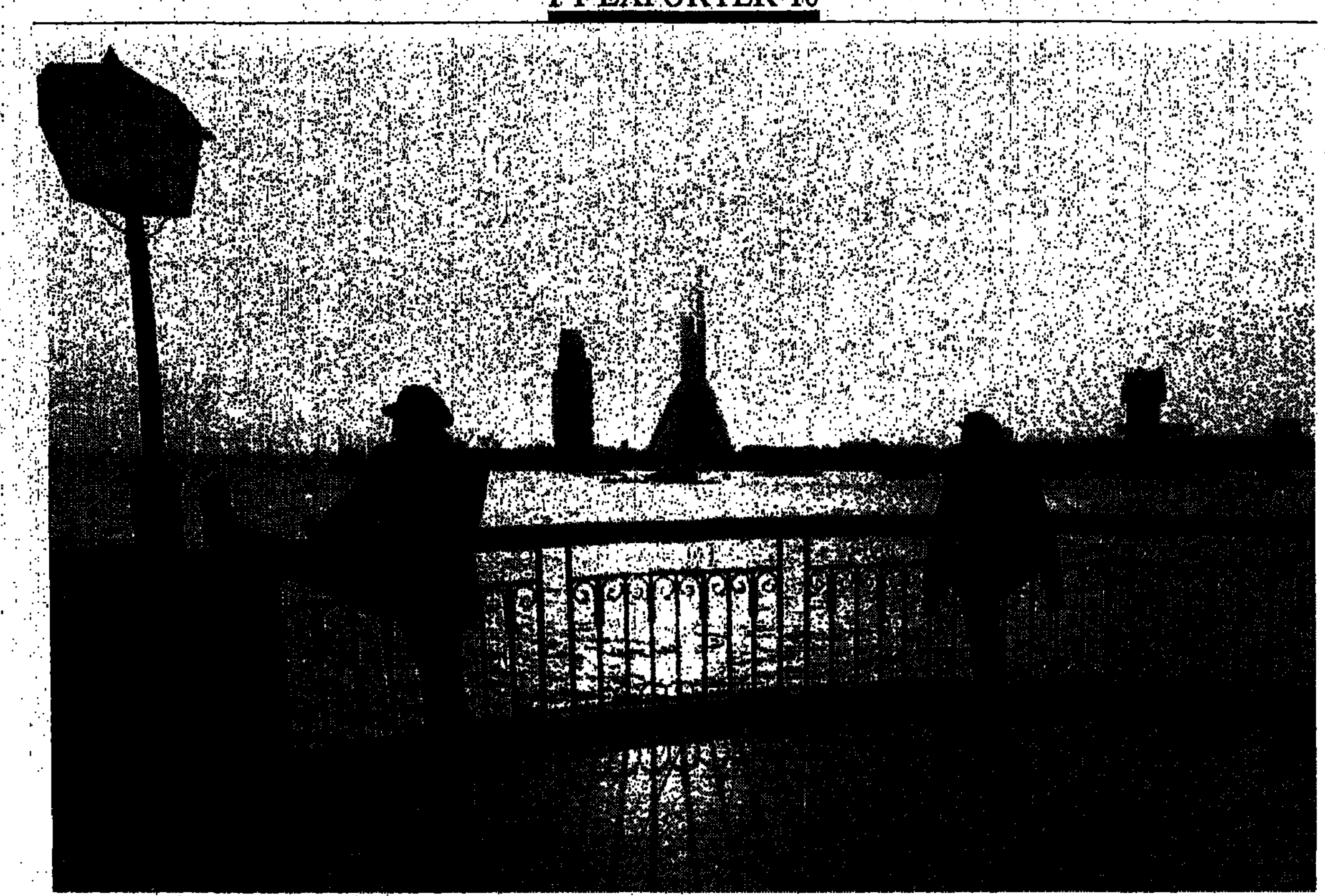


Hungry for finance: looking across to Shanghai's Pudong economic zone. China will need about $10-20bn a year to keep up with the demand for new power-generating capacity *Cathryn Thomsin*

EXPORT FINANCE: FT Exporter looks at World Bank guarantees, the benefits and disadvantages of countertrade, payment transfers and credit ratings

World Bank guarantees

Mobilising the institutions

Nancy Dunne on how the bank helps reassure commercial banks they can prudently invest in developing countries

With governments the world over crippled by tight budgets, it has fallen to the international finance institutions to invent new schemes to spur private sector investment in developing country projects.

More than $200m a year is required to build the infrastructure needed to support the economies of developing countries, according to the 1994 World Development Report. China alone will require about $10-20bn a year to keep up with the demand for new power-generating capacity.

The World Bank has been experimenting for some time with partial guarantees for borrowings in the credit or capital markets to obtain longer maturities. Last month it awarded its first guarantee – for a Chinese power project – under an expanded guarantee programme announced last September.

The new guarantee was in support of $150m in syndicated commercial loans for the $1.6bn power development project in Zhejiang Province. With its backing, the World Bank played a catalytic role in both mobilising private capital and helping to insure a wider distribution of risks. It is also providing a $400m direct loan.

This is the bank's latest attempt to support business development without actually issuing loans to private companies. Although the bank is bound by its articles to lend only to government institutions, it has long recognised that prosperity requires the development of the private sector.

The bank's use of a guarantee programme is seen as vital to its attempt to shift resources to the private sector. The Bretton Woods Commission, chaired by Paul Volcker, former chairman of the US Federal Reserve Board, noted last year that "of the challenges facing the World Bank Group, none is greater than adapting to a world that has turned from public sector dominance towards private enterprise and free markets".

Its private sector arm, the International Finance Corporation, provides both debt and equity for private sector projects. Its Multilateral Investment Guarantee Agency provides insurance against sovereign risks for equity and equity-linked loans.

But with its wealth and long development experience, the World Bank has a vital role reassuring commercial banks that they can prudently invest in developing countries. Commercial lenders also have much to gain from participation in bank-appraised projects in important and growing markets.

Infrastructure projects invariably involve governments or publicly-owned entities as regulators, suppliers of inputs or purchasers of power. Government undertakings often represent the foundation for decisions by equity and debt investors.

With its expanded guarantee programme, the World Bank is taking on the risk that governments might undercut these projects by changing the rules later on.

Before doing so, therefore, it demands a counter-guarantee from borrowers' governments which signifies their commitment to the projects.

Earlier, the bank's partial guarantees were a key to obtaining better lending conditions for developing countries. China's sovereign debt carries an above-investment-grade rating (BBB+/A3), but – stripped of a World Bank guarantee – the best it is able to do with the commercial banks is 5-6-year loans.

Infrastructure projects require longer-term financing to provide a revenue stream for debt service. With the guarantee, however, 15-year private financing was achievable.

Last year China received its first guarantee from the World Bank for the Yangzhou thermal power project. It covered principal repayments from year 10 and, besides stretching the length of the loan, it succeeded in obtaining lower borrowing costs from the commercial lenders.

The Zhejiang project was also granted a partial credit guarantee, which was structured to extend the maturity of commercial loans and to provide China with greater flexibility in obtaining private capital. The World Bank said that it allowed China to target the specific market, currencies and interest rates which best fit its project needs.

In 1990 the bank approved a Eurodollar transaction with a partial guarantee for $200m in fixed rate Eurobonds. The proceeds of the 10-year issues were to support three projects in Hungary for industrial reconstruction, energy development and conservation, and transportation. It also granted a loan of $345m.

Last year the World Bank helped the National Power Corporation of the Philippines improve its lending conditions. Previous bond sales had included a 7-year issue for NPC in November 1993 and a 10-year issue for Philippines Long Distance Telephone.

With World Bank backing – in the form of a put option which guaranteed the repayment of the principal at maturity – NPC was able to float a $100m Eurobond 15-year issue. The proceeds, along with a $227m direct loan, are being used to co-finance the Leyte-Luzon geothermal power project.

In one of its more complex deals, the bank assisted the development of Pakistan's $1.9bn Hub power project, the country's first private sector build-own-operate power utility. Located about 25 miles north-west of Karachi, the plant is being built by a consortium led by Mitsui of Japan.

The financing structure – 25 per cent equity and 75 per cent debt – includes about $680m in syndicated commercial bank loans. About $320m will be insured by export credit agencies. The remaining $360m will be guaranteed by the World Bank and the Export-Import Bank of Japan. Revenues are secured through a long-term sales contract with the national utility.

The bank is providing a partial guarantee against specific political risks on principal payments of $240m. The guarantee will be triggered if the Pakistani government defaults on one of its obligations, leading to a default in the payment of debt service to the commercial banks. The guarantee covers the performance of the fuel oil suppliers – a government-owned entity – and certain *force majeure* events.

For the Hub project, the World Bank is also co-financing a $250m direct loan, with Jeximbank providing $110m and France $10m. Other parallel financing is expected later.

The bank has added a new twist to its Zhejiang guarantee – a release option which gives commercial lenders the opportunity to cancel the guarantee after five years in exchange for an additional loan spread.

Guarantees are available to any of the bank's borrowers. They may be offered on a stand-alone basis or in conjunction with a World Bank loan.

Exports markets: Australia

Deficit gives others cause to cheer

Bad economic news down under is presenting foreign exporters with a window of opportunity, writes **Nikki Tait**

Australia's growing concern over its large and expanding trade deficit speaks volumes for the country's potential as an export market. After all, what is bad news for Australia in economic terms appears to present foreign exporters with a large window of *opportunity*.

There is no mystery to mounting deficit; it has been blamed fairly and squarely on the strength with which the Australian economy powered out of recession a little over a year ago, and the nation's well-known tendency to "live beyond its means".

By the third quarter of 1994, both personal consumption expenditure and private investment spending were plainly in *the grip of a sudden* "confidence boom".

It is true that this upsurge led to fears of incipient inflation, and prompted three interest rate rises last year. As a result, the tempo has slowed somewhat. Nevertheless, the economy is still growing at an annualised 5 per cent-plus, and opportunities for exporters remain plentiful.

For example, according to the latest national accounts figures, published at the end of March, business fixed investment rose by a hefty 21 per cent between the December quarter of 1993 and 1994. Equipment investment was up by an even more staggering 29.9 per cent. Since Australia can supply few of its own needs on this score, much of this demand must be met by imports.

Current account figures present the same story. During the first eight months of the current financial year, to end-February, merchandise imports were up by 14.4 per cent – a sharp contrast to the 2 per cent rise in exports.

Break down of these numbers, however, and the extent to which Australian industry's imports of equipment and infrastructure-related products account for the surge becomes plain.

While imports of consumer goods increased a significant 12.4 per cent in the first eight months of 1994-95, with household electrical items and non-industrial transport equipment leading the way, imports of capital goods were up by more than 24 per cent. (Imports of intermediate goods, by contrast, rose only 11 per cent.)

Perhaps most startling was the 54 per cent jump in telecommunications equipment. This continued a trend seen in 1993-94, when the same import category was also among the fastest growth areas, posting a 12 per cent rise to A$1.2bn. It also confirmed more anecdotal evidence of the general upgrade by Australian companies and public entities of their telecommunications networks – plus the extent to which mobile phones have been integrated into Australian business life.

Telecom, the large government-owned telecommunications company, recently estimated that Australia would soon have the highest per capita use of cellular phones in the world.

If last year's trade statistics are any guide, the biggest export winners from Australia's current appetite for telecoms equipment lie in Japan, the US, Sweden, the UK and Korea.

Other import categories to show persistently high growth rates over the past 18 months were computer/office machines and transport equipment, ranging from trucks to passenger cars and car parts. The former notched up a 17 per cent increase during the 1993/4 financial year, and imports in this sector have been growing strongly for at least five years. Inevitably, US manufacturers have been the dominant suppliers, although their importance appeared to decline last year. Japan and Taiwan are the other major source countries.

The vehicle market, meanwhile, is still dominated by imports from Japan. However, as trade barriers are lowered, a number of new players are making an entry – witness Chrysler's decision in 1993 to start selling right-hand drive Jeep Cherokees in Australia. The country still sustains four domestic passenger car manufacturers, and debate rumbles on over the rate at which tariff protection should be diminished. Even so, the development of new design features means that imports of car parts grow: in 1993/4, for example, airbags, not manufactured in Australia, added to the country's import bill.

Export markets: New Zealand

Europe slow to notice the change

Terry Hall finds competitors in Asia and the US are seizing the growing number of export opportunities

Imports have soared to record levels in New Zealand over the past year, although they are increasingly being sourced from Asia, rather than the traditional European market.

The increased imports have followed economic reforms of the past decade under which New Zealand has largely removed import protection and lowered tariffs. This programme will see most barriers removed by the year 2000.

However, Daniel Silver, executive director of the New Zealand Importers' Institute says that European exporters seem to be slow in taking advantage of the new freedoms, and that their share of trade is slipping.

"New Zealand trade has opened up enormously – but it seems many European companies haven't woken up to the change. We are only a small market of 3.5m people, but by world standards we are an advanced consumer society with spending power in line with countries with many times our population."

According to Mr Silver, Asian countries have seized the opportunities available in New Zealand, as has the US – especially in the computer field, where it is now dominant.

"Not so long ago British computer companies were a key part of our market," he says.

Mr Silver says he sees plenty of opportunities for Europe to supply machinery and related equipment that will feed New Zealand's rapidly developing manufacturing base. Transport provides openings for exporters of buses and aviation and other specialist equipment.

New Zealand has also looked to Europe for chemicals, medical equipment, and for luxury cars and other vehicles. However, high cost structures in Europe have meant that there has been a swing away from buying, for example, textiles from Portugal and Greece, since these are no longer competitively priced on the New Zealand market.

Economic growth, which is running at more than 6 per cent of gross domestic product, has fuelled the demand for imports. Imports were NZ$1,575m in February, up 15 per cent on last year. In the three months to February imports were up 14 per cent to NZ$4,660m, and rose by 13.6 per cent to a record NZ$20,376m in the 12 months to February.

The surge in imports – which led to a series of deficits in the trade balance last year – does not worry the government, however. Finance minister Bill Birch said recently that it was expected that the trade balance could worsen later this year because of the rising quantities of imports.

Undiscovered: new trade openings have not been taken up by European exporters

However, a large proportion of the imports were capital goods, he said, which were needed to fuel the country's economic recovery.

Australia remains the country's main supplier of imports, with the Closer Economic Relations (CER) pact which pledged to create a trans-Tasman free-trade zone for manufactured goods, easing the flow of goods between the two countries.

Australia sold NZ$4,445m worth of imports to New Zealand in the year to February 1995, up by NZ$626m. Other big rises were from the US (up by NZ$534m), the UK (up by NZ$226m), Japan (up by NZ$214m), Germany (up by NZ$163m). China, Singapore, Papua New Guinea, South Korea, and Taiwan also increased exports to New Zealand substantially.

"Many European companies haven't woken up to the changes here. They might have come and looked at prospects here a decade ago, when import substitution was the thing, and they may have been asked to set up a joint venture to manufacture their goods here.

"I think they need a wake up call ... the market here is wide open."

Mr Silver says that the improving quality of products from developing countries such as Taiwan and Korea are leading buyers in New Zealand increasingly to source machinery from these countries, rather than from producers in Germany or Japan, where the cost structures are higher.

Sub-Saharan Africa

Growth is good news for Europe

The good news for European exporters to sub-Saharan Africa is that prospects for growth in the region are better than they have been for more than a decade, with South Africa leading the way.

According to World Bank and International Monetary Fund forecasts, GDP growth in sub-Saharan Africa could average 3 per cent in 1995, the highest since the continent's economic malaise set in. Perhaps the most welcome development is the fact that the South African economy is likely to exceed that growth rate if the first quarter's performance is sustained through the rest of the year.

Less encouraging for exporters is the fact that the overall state of the region remains weak – 3 per cent growth barely keeps pace with the rate of population increase, or generates enough resources to re-equip factories or rehabilitate deteriorating infrastructure. Direct foreign investment – outside the oil sector – remains negligible, and Africa's share of world trade is less than 4 per cent.

That said, trading conditions in what has been one of the world's most difficult markets are slowly improving.

In a dozen of the countries that make up the region, reforms have led to market driven exchange rates, trade liberalisation, and privatisation programmes ending – or at least curbing – the state patronage that has been at the heart of corruption and mismanagement. Arrears in trade payments are being reduced or eliminated and countries such as Ghana, Uganda, Botswana and Mauritius have been able to maintain GDP growth rates more than double the African average.

Prospects for Nigeria, Africa's most populous state remain poised between economic reform and further political upheaval. Yet with a population of more than 90m, and oil exports of over 1.4m bpd, it remains a market second in importance only to South Africa. The two sub Saharan countries make it to the EU's top 50 markets, ranked at 17 and 37 respectively.

But it is South Africa – emerging from the first year of democracy in better shape than might have been expected – that will be the focus of European exporters' attention. Once responsible for destabilising its neighbours in defence of apartheid, the industrial giant of the continent is capable of playing a leading role in the regeneration of the southern African region.

It is becoming the driving force behind an organisation launched in 1980 with the aim of reducing trade links between Pretoria and its neighbours. The Southern African Development Community, successor to the Southern African Development Co-ordination Conference (SADCC), brings together Angola, Botswana, Lesotho, Malawi, Zimbabwe, Zambia, Mozambique, Swaziland, Tanzania, Namibia and South Africa itself. The potential is enormous. Between them, SADCC members have a combined GNP of $134bn, and resources ranging from from oil in Angola to natural gas reserves in Mozambique, and the rich farmland of Zambia.

The engine of regional growth will be South Africa, with its industrial and mining muscle. Recent trade talks have made the market even more attractive, paving the way for a deal for South Africa under the EU's Lome Convention. Although Pretoria has failed to win full membership, a framework agreement reached at the end of March envisages a pact between Pretoria and Brussels under which South Africa would become a "qualified" member of the Convention. The package envisages a free trade area, coming into effect over a 10-year period, during which South Africa would be given improved access to EU markets without having to give similar preferential treatment to EU exports.

Nigeria remains a market second in importance only to South Africa

Financial Times picture

Enjoying a beer in Stockholm: Budvar's main markets are in western Europe, especially Germany, France, Italy, Austria, Sweden and the UK — Tony Andrews

Eastern Europe: Budvar of the Czech Republic

Jewel in the Czech crown

Continued export demand and a surge in sales at home has driven the brewery to expand and modernise its operations, says **Vincent Boland**

Of the more than 70 breweries in the Czech Republic perhaps the best known, certainly to beer drinkers overseas, is Budějovický Budvar, which makes the original Budweiser lager.

Budvar's most famous brand, Budweiser Budvar, is exported to 80 countries though its main markets are in western Europe, especially Germany, France, Italy, Austria, Sweden and the UK. With more than half its total production going for export it is one of the most successful Czech companies selling overseas, helped by its famous name and the image of Czech beer abroad as a premium product.

Budvar has spent Kc540m since 1991 modernising and expanding the brewing operations at its base in the south Bohemian town of Ceské Budějovice. In that time, says general director Jiří Boček, production has risen from 490,000 hectolitre in 1991 to 755,000 hl in 1994, and from the end of April this year brewing capacity will be increased to 1m hl yearly.

The expansion has been driven by continued export demand and a surge in sales at home. Mr Boček says that in addition to maintaining its commitment to being an export-driven brewery, it is increasing its emphasis on meeting demand in the Czech Republic.

"Our main problem is that demand always outstrips supply," he says. This was the main reason why production was expanded and modernised.

As a reflection of rising local demand exports as a percentage of total production have fallen from 73 per cent in 1988 to 60 per cent last year (10 years ago Budvar exported half its production). Of the 755,000 hl of production last year Budvar exported 423,000 hl, with 200,000 hl going to Germany, 60,000 hl to the UK and 48,000 to Austria.

Budvar is a small brewery even in the context of the Czech brewing industry, which is dominated by Plzensky Prazdroj, Prague Breweries and Radegast, the three biggest. The industry is severely undercapitalised and many brewers are loss-making, mainly because of the fragmentation of the industry and its dependence on the local market where prices are low. A bottle of beer in the Czech Republic is often cheaper than a bottle of mineral water or Coca-Cola.

The biggest handicap to Budvar's continued expansion into overseas markets is its dispute with Anheuser-Busch, the US brewing giant which also makes Budweiser. The decades-old legal battle between the two over rights to the Budweiser brand name not only prevents the Czech brewer from pushing into North America, for example, where Anheuser-Busch' Budweiser brand holds sway, but has also held up Budvar's privatisation.

The Czech government has made no decision on when or how, or even if, it will privatise Budvar while priority is being given to settling the trademark dispute. Given Budvar's status as one of the Czech Republic's crown jewels and the intense local pride in its brewing tradition, however, there is no rush to do so. After 90 years of on-off talks and court battles, Mr Boček says, "It is possible to reach an agreement but difficult to say when."

The company's main objectives, Mr Boček says, are to ensure that it continues to meet demand in its main export markets, and to push sales of Budweiser Budvar into southern Europe.

Eastern Europe: Richter Gedon of Hungary

Gradually rebuilding export sales

Virginia Marsh looks at how the country's largest pharmaceuticals company coped after the collapse of Comecon - and with it, its main markets

The past six years have been among the most turbulent in the 90-year history of Richter Gedeon, Hungary's oldest and largest pharmaceutical company and traditionally one of the country's leading exporters. In 1990, its main export markets, the Soviet Union and eastern Europe, collapsed in a matter of months. The company, which was pushed into debt and forced to lay off a quarter of its staff, has been battling to regain those markets ever since.

"For a highly-export orientated company, losing our number one market was a terrible shock," says Dr Bela Bede, commercial director. "In the old days doing business with Moscow within Comecon was simple. Ministries decided what they wanted and we supplied it. Now, the CIS market is a high-risk market and impossible to predict."

But despite the difficulties, Richter Gedeon has recovered steadily from the 1991-2 slump, mainly by rebuilding sales in eastern Europe and, in particular, in Russia where it believes it is one of the top three pharmaceutical importers.

According to preliminary figures for 1994, sales to the CIS totalled \$57.5m or 43 per cent of total exports, up from \$26.1m in 1991. A further \$26.5m of exports came from sales to other central and eastern European countries. The company, which manufactures both finished products and raw materials for pharmaceuticals, exported two thirds of its production. Net profit was Ft4.07bn (\$36.7m) on turnover of Ft21.18bn (\$191.3m), up from Ft1.90bn on Ft17.96bn turnover in 1993.

The company's financial position has also improved due to its partial privatisation and flotation on the Budapest Stock Exchange last autumn. The state, advised by Schroders and Creditanstalt, sold off 38 per cent of the company via an international private placement and public offer. Ft1.25bn of the proceeds were used to reduce the company's short-term debt and it was also granted a five-year holiday on profit tax by the government.

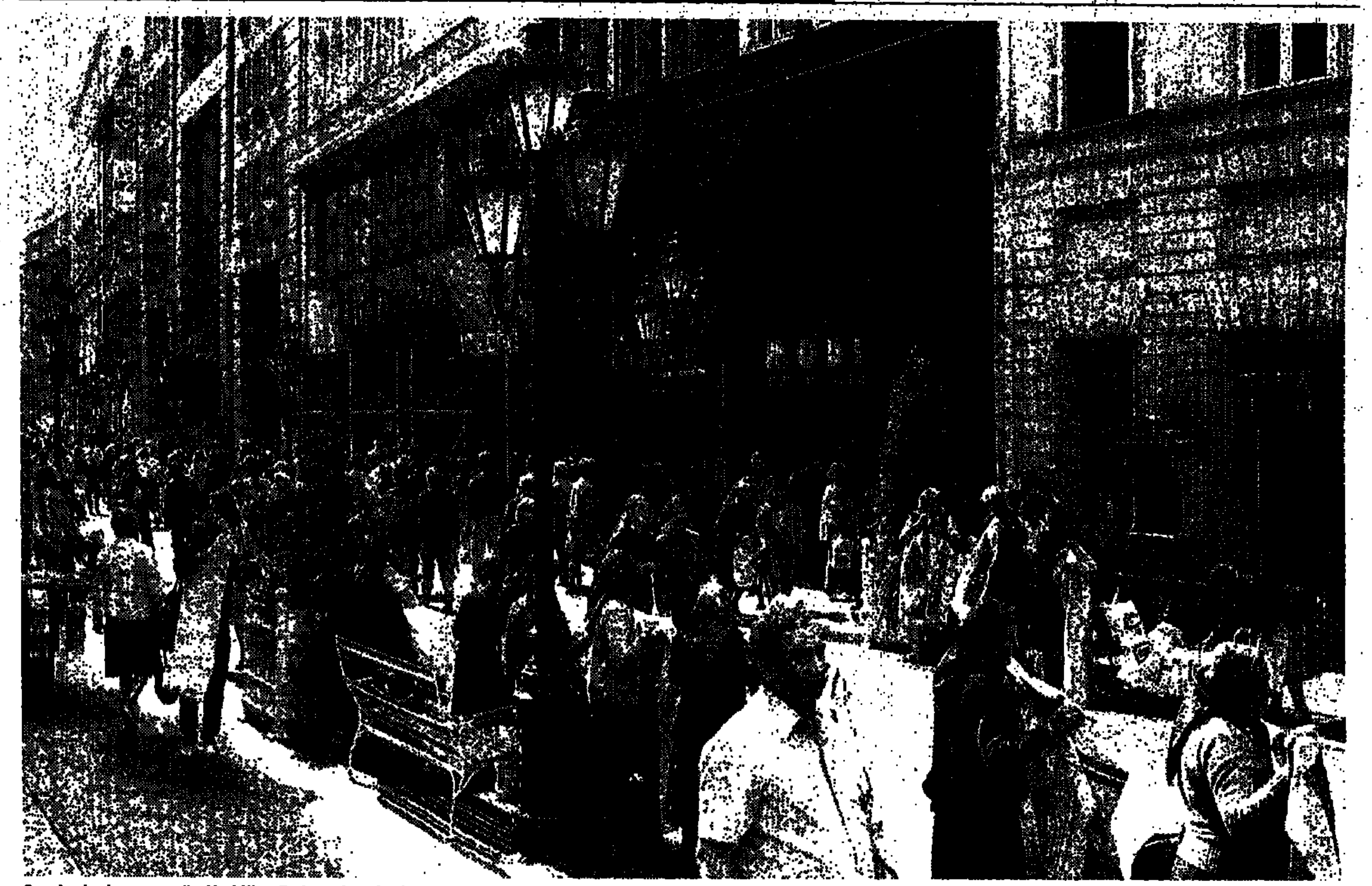
Dr Bede says Richer's strategy in the former Soviet Union has been to build up direct sales through a wide network of consignatory stocks and agents, rather than just selling through tenders.

"We have 20-30 stocks scattered over as wide an area as possible and around 60 agents working for us in the CIS," he says. Sales are made in hard currency and agents are motivated by commission payments on top of a salary.

"We provide quality products at low prices and have been on the Russian market for decades which gives us a huge advantage over the multinationals." In addition, he says, the state is still a big purchaser of pharmaceuticals. "The same people are buying pharmaceuticals from us for hospitals with state funds."

Nevertheless, the liberalisation of eastern markets and competition for market share from western pharmaceutical companies means Richter has had to spend much more on marketing, packaging and advertising its products than in the communist era. In Russia, for example, it has launched an advertising campaign on television and radio and in the Moscow Metro which costs it the equivalent of 2-3 per cent of its sales revenue in the country.

Analysts also predict good prospects for Richter in western markets where it has been successful with some products. The company's improving financial position and revenues from privatisation have enabled it to embark on ambitious capital expenditure and product development plans. One of its aims is to develop its range of over-the-counter products and obtain licenses for more of its products for sale on the huge US market. The company's export prospects for this year have been given a boost by the government's decision to devalue the forint by 9 per cent last month and by a total of 28 per cent this year.



Growing buying power: the Vaci Utca, Budapest's main shopping street — Ray Roberts

EASTERN EUROPE: Since the collapse of Comecon, post-communist Europe has made a dramatic switch to western markets – both as a supplier and a customer

Eastern Europe: Overview

Region emerges as a supplier

Anthony Robinson finds export-led growth in the former Soviet empire is providing cash to finance imports

The rising tide of world trade last year provided a great opportunity for central Europe to show how five years of painful economic reforms have paved the way for export-led economic growth.

The first annual survey from the newly-formed World Trade Organisation published earlier this month revealed that the newly-privatised, as well as many of the restructured but still state-owned enterprises of central Europe, increased their export volumes by 11.5 per cent last year. In dollar terms, according to the UN Economic Commission for Europe, exports of goods and services from the post-Soviet world increased by 18 per cent, double the growth of imports.

This left the region with a reduced current account deficit of only \$3.4bn compared to \$8.3bn in 1993 with higher exports as a major factor behind higher than expected growth, the ECE added.

Global trade is expected to grow between 8 and 9 per cent again in 1995 so the coming months should culminate in another year of record trade and economic growth for a region which is emerging as a supplier of competitive goods for export and a growing market for imports.

The export growth performance of the "fast track reform" central European states – led by Poland, Hungary, the Czech Republic, Slovakia but including Slovenia and Estonia – was still some way behind the 15 per cent average rise in export volumes shown by the "Asian Tigers" last year.

But it was light years away from their traditional sluggish performance as reluctant members of one of the great backwaters of international trade – the Soviet Empire.

The sharp rise in exports, principally to Germany and other reviving markets in the European Union, earned the hard currency needed to finance higher imports of consumer and intermediate goods – and the capital equipment needed to sustain structural reform and enterprise modernisation.

Rising investment and higher real incomes should ensure that the region will become an increasingly attractive one for exporters from the EU and Asia over the rest of the decade – provided that finance is available to fund what are expected to be rising trade deficits.

It will be impossible to sustain rapid economic development in this capital-starved region unless companies are able to import the equipment needed to modernise mines and factories and build the road, rail, telecommunications and other necessary infrastructures. Increased volumes of exports will not be sufficient on their own to fund the capital equipment and other imports on the scale needed.

Significantly Hungary, which received more than \$7bn in foreign direct investment over the past five years and has the largest per capita debt in the region, is running the region's heaviest trade deficit – \$3.6bn on total commodity trade of nearly \$25bn last year.

In an effort to boost exports and cut the deficit the government devalued the Forint by 9 per cent earlier this month. But imports of capital goods and the components needed to feed export-orientated assembly plants are expected to remain high while farm exports remain depressed by competition from subsidised EU and US producers, a common complaint throughout the region.

Indications are that growing trade deficits will become a feature of the region's trading pattern, despite rising exports. But thanks to recent debt re-scheduling agreements by countries such as Poland and Bulgaria, and relatively low debt levels elsewhere, apart from Hungary, increased volumes of imports should be financeable through better access to western bank and export credit facilities as well as rising foreign direct investment.

Central European exporters still complain of difficult access to trade finance, but the steady progress of domestic banking reform and the creation of western-style export development banks and export insurance agencies is helping to improve prospects.

A growing volume of financial assistance for import-consuming investment projects is also available from the international financial institutions such as the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB) and the World Bank.

The former is increasing its lending to private companies and providing equity finance for private commercial banks, the latter are stepping up their funding of infrastructure projects, including the projected Paris to Moscow high speed railway and the Barcelona to Kiev motorway link.

The multinationals are also increasingly viewing east and central Europe as a low-cost production centre for components as well as consumer durables such as cars and refrigerators. Most are integrating new or acquired central European plants into their global trading arrangements.

Fiat, for example, already sources its Europe-wide sales of the Cinquecento small car from plants in Poland while General Electric, through its Tungsram subsidiary, has made Hungary its springboard for expansion in the entire European market. Asea Brown Boveri is also reaping the benefits from its far-sighted forays into the former communist world from where it sources growing volumes of increasingly sophisticated but relatively low-cost parts and products from a growing network of plants in Poland, Hungary, Ukraine, Russia and elsewhere.

Taking the former Soviet-controlled world as a whole, however, the trade picture remains patchy. Central Europe is out of the woods; the Baltic states, led by Estonia, are exporting their their way to steady growth. In the Balkan region both Romania and Bulgaria are starting to benefit, albeit with a time lag compared to central Europe, from half-hearted economic reforms and the re-opening of the Black Sea to trade and commerce. Romania has the attraction of an undeveloped internal market of 23m people while Bulgaria is expected to benefit from its strategic position as a link between Europe and oil-rich central Asia and the Middle East.

But most of the former Soviet states, including the two giants Russia and Ukraine, remain bogged down in the painful destructive phase of the transition from a centrally planned to a market economy. Even here, however, the statistics of continuing decline in the size of gross domestic product and the volume of foreign trade mask encouraging shifts in the composition of wealth formation at home and in international trade patterns.

Instead of sophisticated machine tools designed to build rockets and munitions the former Soviet states are now importing consumer goods – from Snickers bars to Rolls-Royce cars – and a wide range of semi-manufactured goods and components designed to improve the quality of their own production.

Exports of arms and heavy engineering plant have plummeted. But oil and gas exports have held up – despite a calamitous fall in domestic oil production to 315m tons last year from 630m in the late 1980s. Energy exports have maintained top priority because they can be sold at world prices, far above artificially low domestic prices.

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Eastern Europe: Integration into world markets

EU remains focus for foreign trade

While governments are starting to look further afield to Asia and Latin America, **Anthony Robinson** finds Europe is still at the heart of export prospects for the former Soviet Union

Foreign trade has provided the most dramatic and visible evidence of the economic revolution which has transformed the prospects for more than 450m people living in the former Soviet-controlled world. The path was cleared for all other changes in the former centrally planned economic system by the introduction of internally convertible national currencies, beginning with the Polish zloty in January 1990, and the abolition of the former state trading monopolies. Another milestone was the collapse of the Comecon trading system and the so-called "transferable rouble" payments system a year later, and with it the absurd and irrational pattern of trade which kept central Europe umbilically tied to the Soviet Union.

Under the old regime foreign exporters had no contact with the final customer and state-owned enterprises had no idea about marketing or the identity and needs of their foreign customers. State-owned monopoly trade banks enforced an artificial exchange rate and siphoned off the profits of trade to finance the military-industrial complex which devoured the lion's share of resources and kept millions of people in poverty.

Recent history underlines the scale of the changes which have taken place in the trading environment of east and central Europe over the past five years. Released from the central planning strait-jacket, all the former Soviet bloc states have registered a dramatic shift in the pattern of their trade away from Comecon "markets", which absorbed between 60 and 90 per cent of their foreign trade prior to 1990.

Virtually overnight Germany replaced Russia as the main market, as private entrepreneurs and traders rushed to change money from legalised private money changers, stock up in German supermarkets and drive home to sell western consumer goods at a high mark-up and return the next day for more.

Now Germany alone absorbs 30 to 35 per cent of the average central European country's exports and is the main source for both consumer goods and capital equipment. Russia retains a strong position in central European imports due to oil and gas supplies through pre-existing pipelines and terminals. But this too will diminish as Poland, the Czech republic, Hungary and others tap in to newly-built pipelines to the west. Russia meanwhile is building its own alternative markets, including construction of a new gas pipeline from the Yamal peninsula in northern Siberia through Poland to Germany.

The "Visegrad 4" countries – the Czech republic, Hungary, Poland and Slovakia – plus Slovenia, now conduct 55 to 65 per cent of their total trade with EU countries, the bulk of it with close neighbours Germany, Italy and Austria – or Finland in the case of Estonia, the most successful trader among the Baltic states. But increasingly traders and official government export missions are looking further afield to fast-growing Asian and Latin American markets while rising foreign investment by US and other multinationals is also integrating the region into global trading patterns.

History and geography indicate that the main growth in trade and investment will continue to take place between the current EU and its central European and eastern aspirant members. The proportion of total trade with EU markets has already risen following the recent inclusion of former European Free Trade Association states Sweden, Austria and Finland into the enlarged 15-member body.

After a slow start four years ago Brussels embarked upon a series of bilateral and "asymetric" trade negotiations which have resulted in the ratification of Association Agreements with all six former Comecon central European states, although a now-shelved political dispute with Italy has delayed a similar agreement with Slovenia.

The renamed "Europe Agreements" provide for virtually free trade in industrial products, except for restrictions on steel, textiles and other sensitive goods which are being rapidly phased out. The main problems lie in agricultural trade where subsidised EU imports and market access restrictions have deepened the agricultural crisis throughout the region.

As yet no timetable has been agreed for extension of the EU to the east but the prospects for inclusion of Visegrad 4 countries around the turn of the century is sufficiently strong to help attract foreign investment for export generating projects aimed at EU markets.

Meanwhile, after only five years of freer markets and convertible currencies, central Europe has already produced a crop of rapidly growing export-orientated companies, most of whom depend heavily on access to EU markets.

Typical examples of such companies are Gorenje, the Slovene domestic appliance maker, which exports 95 per cent of its output of 1.6m appliances a year and Poland's Szczecin Shipyards which bounced back from near bankruptcy five years ago thanks to crucial orders from German ship owners. It will export $450m worth of ships this year and hopes to be turning out $1bn worth a year before the turn of the century.

German shipowners remain the biggest client but over the past three years the shipyard has also won big orders from South African, Chilean and Russian shipowners as well as clients in the Far East, traditionally the preserve of Japan and South Korea. Miedz, the Polish copper corporation, which exports over 65 per cent of its $1.3bn a year output of copper, silver and other metals, is another exporter which sells mainly into Europe but also further afield through the London Metals Exchange.

But rapid privatisation and growth of the private sector in Russia and Ukraine, as well as rising real incomes throughout central Europe, have also led to a revival of interest in reviving inter-regional trade links, albeit on a private enterprise not state to state basis. After years of hypocritical "proletarian internationalism" the peoples of central Europe are getting to know each other again and their markets are opening up for the revamped products and services now being produced in the region.

The recently created Central European Free Trade Area was set up to foster such trade at an official level, but the real indications of success can be seen at the frontiers as millions of individual Germans, Poles, Russians and Ukrainians trek across borders to buy and sell to their neighbours. This is now a multi-billion dollar trade and one which ensures that western and western-style consumer goods often penetrate far further than their makers and exporters originally intended.

Eastern Europe: Shipping

Symbol of peaceful revolution

Plans for a new ship reveal the complexities of the post-Soviet trading world, says **Anthony Robinson**

Andrzej Zamoch and the Kapitan Konyev: part of an order for a private Russian owner

When Soviet demand for Polish ships collapsed five years ago the Polish shipbuilding industry nearly died along with it. Ships completed but unpaid for – ordered by Sudoimport, the former Soviet trading company, the Soviet Defence ministry or the Oil and Gas ministry – cluttered up berths at Polish shipyards while the Polish government cut off the subsidies granted for building them.

"At the time," recalls Andrzej Zarnoch, the sales and marketing director of Stocznia Szczecinska, the Szczecin Shipyards, "we vowed never again to sell a ship to the Russians." But, as he watched the hull of a new container ship slide out of the construction slipway and into the River Oder on a grey February morning, the veteran shipbuilder pointed to it as the symbol of a peaceful revolution.

For the name of the Kapitan Konyev, clearly marked in cyrillic letters on the hull of the newly launched ship, revealed its identity as the third and final vessel in a ground-breaking order for a private Russian owner, the Vladivostock-based Far Eastern Shipping Company (Fesco).

A closer look at the financing arrangements and future employment plans for the 12,400-dwt container ship provides an insight into the complexities of the post-Soviet trading world.

The formal owner of the new vessel is a company called Roselaw. It is registered in Cyprus, one of the most important havens for the Russian flight capital which has helped turn the island into an important off-shore financing venue over recent years. Because the vessel was registered in Cyprus, the owner was able to arrange ship mortgage facilities from Cyprus-based institutions, which in turn helped it to gain the bulk of longer-term finance on the $20m vessel from The European bank for Reconstruction and Development (EBRD).

Given the EBRD's time-consuming procedures, the owners had to arrange six months bridging finance from Hill Samuel, the London-based merchant bank, before securing the EBRD loan. As a fall-back position in case the EBRD deal fell through, the Russian owners and the shipyard jointly arranged an alternative financing package whereby a German company would have bought the ship and leased it back to Fesco on a bare-boat charter basis. In the event it was not needed.

Once fitted out and ready for the ocean the Kapitan Konyev will not sail for the Russian Far East but for a port on the west coast of the US. It has been chartered to carry cargoes between west coast US ports and Australia and will possibly never touch Russia or the former Soviet Union during its working life.

To improve its attractiveness in the fiercely competitive US market the new ship is fitted out with the latest navigation and guidance equipment. "German shipowners who looked over the new vessel were amazed at the quality of the equipment on board," Mr Zarnoch says.

Negotiations are already under way for the supply of more ships to the Russian company. But as yet the Polish shipyard sees no other private Russian shipping company on the horizon with the financial resources to modernise their fleets in a similar way. If and when such companies do emerge, however, Szczecin and other Polish shipyards stand a good chance of receiving their orders.

"When we first met the top brass of Fesco we were surprised to find that they were all former Soviet ship captains who had been sailing in Polish-built ships. They were even trained on a Polish-built training ship built 30 years ago. They knew by experience that we could deliver quality ships, on time," Mr Zarnoch says.

Now they are back in Poland, buying their own boats and receiving a warm welcome as normal business partners, not as before when the the end users of the shipyards products were unknown and sales and payments were made through shadowy state trading companies.

Cheap labour costs provide the incentive: a Romanian worker assembles an electronic mixer

Eastern Europe: Germany and the former Soviet bloc

A well for a range of eastern goods

Investment figures show that old ties are being revived and reliance is once again being placed on Germany as a trading partner, says **Judy Dempsey**

When German reunification took place in 1990, the countries of eastern Europe looked on in despair. Here was their largest and geographically closest trading partner about to concentrate all its energies on integrating, at enormous cost, the five east German states into the mainstream of the west German economy.

For the east Europeans, Germany's preoccupation with reunification meant that trade with the region would be far down the list of Germany's priorities. It also meant that in any case trade would be difficult to revive given that German monetary union, which involved the unifying the east and west German currencies, had destroyed the trading links between the former German Democratic Republic and eastern Europe. The east Europeans could not afford German goods.

Yet five years since reunification, the old ties are being revived as the countries of eastern Europe again start to rely on Germany as one of their single biggest trading partners.

The investment and trade figures prove this. A recent study of the Cologne-based Institute for German Economy (IW), showed that between 1990 and 1994 Germany had 40 per cent, or DM7.2bn, of all the western investments made central and east Europe.

Trade figures are even more revealing. According to Germany's economics ministry, Germany's total trade with eastern Europe rose by 15 per cent to DM27.7bn in 1993 compared to the previous year. And figures for last year are expected to show a further rise of about 19 per cent to about DM37bn. This also includes trade with the Baltic states.

This figure, however, represents only 7 per cent of Germany's total foreign trade. But eastern Europe's trade with Germany accounts for more than 30 per cent of its total trade with the western European economies, showing just how important Germany is for the region.

Germany's total trade with Poland, now Warsaw's largest trading partner, rose by 10.7 per cent to DM18.29bn in 1993 compared to the previous year. German exports accounted for DM9.7bn, a rise of 18 per cent over the same period, and Polish imports totalled DM8.6bn, an increase of 3.6 per cent.

The Czech republic is in second place. Bilateral trade totalled DM14bn, a rise of 9.3 per cent, with German exports amounting to DM7,6bn. Trade with Hungary totalled DM9.6bn. Hungary imported DM5.2bn worth of German goods over the same period. Trade with Romania, Bulgaria, and Albania amounted to DM5bn, with Germany remaining Bulgaria's most important western partner. The same is true of Slovenia, with bilateral trade with Germany tipping DM5.5bn.

These figures show first, that in spite of the high cost of German reunification the old trading links can survive. Second, they reveal that Germany provides an enormous well for a whole range of east European goods. Third, cheap labour costs – on average 10 times cheaper in eastern Europe than Germany – provide a huge incentive for small German companies to import semi-finished products, particularly textiles, from the region. And finally, the German government remains committed to promoting trade. It is seen as generating prosperity, stability, and economic growth.

Last year, Hermes, Germany's government backed export credit agency provided DM8.1bn in guarantees, while in 1993, the government provided DM2.3bn earmarked for risk capital.

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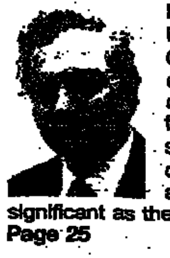
FINANCIAL TIMES

COMPANIES & MARKETS

Tuesday April 18 1995

MARKETS THIS WEEK

JOHN PLENDER:
GLOBAL INVESTOR
If the world were a saner place, last Friday's package of measures to stimulate the Japanese economy and restrain the appreciation of the yen would spark off a spate of stabilising speculation. It will not, of course, take place, as the initially pessimistic reaction in the currency markets rightly implied. Page 25



MARTIN WOLF:
ECONOMIC EYE
Observers might assume that the economic difficulties of a small country perched on the northern fringe of Europe is a matter of small importance. They would be quite wrong. Sweden's difficulties are, in their way, quite as significant as the terminal crisis of the Soviet Union. Page 25

BONDS:
Ghana is set to become the second sub-Saharan African country to have an international bond market. South Africa is currently the only sub-Saharan African country with such a market. Page 26

EMERGING MARKETS:
A month-long recovery in Mexican stocks was broken before Easter by a spate of profit-taking and renewed concern over the effectiveness of the government's economic emergency programme. Page 27

CURRENCIES:
The dollar looks set for further adversity this week following its failure to respond positively to the cut in Japanese interest rates and the weekend meeting of the Asia-Pacific Economic Co-operation conference. Page 27

UK COMPANIES:
Gehe, the German pharmaceutical group, will today renew its assault on AAH by criticising the UK drugs wholesaler's recent trading performance and urging shareholders to accept its £400m hostile takeover bid. Page 22

INTERNATIONAL COMPANIES:
Sega Enterprises, the Japanese video game maker, has been forced to revise down profit forecasts for its recently completed business year because of the surge of the yen and further sluggishness in the European market. Page 24

STATISTICS

Companies in this issue

Chief price changes yesterday

NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
Chase Man	43	+	1	Chichibu Onoda	499	+	29
Kyocera	160¾	+	4¾	Citizen Watch	590	+	29
TRW Inc	71⅝	+	3½	Hitachi Cable	665	+	35
US Shoe	27⅞	+	1	Mitsumi Elec	1400	+	60
Wabash Natl	24⅝	+	2⅝	Tosi	614	+	42
Falls				**Falls**			
Motorola	53⅝	–	1⅞	Mikuni Coca	1190	–	60
TORONTO (C$)				**BANGKOK (Baht)**			
Rises				**Rises**			
CSA Mgmt A	15⅝	+	1⅝	Amarin Prntg	49.5	+	3.5
Diamond Fields	35⅝	+	2⅞	Dewee Ins	380	+	20
Goldcorp	14	+	1⅜	Siam Pulp	68	+	6
Plaintree Sys	18⅛	+	2¾	Thai Srestthark	125	+	9
Falls				**Falls**			
Ballard Power	8	–	¾	S&J Intl Ent	53	–	5
Tritech Precis	10	–	1	Sri Charoen	118	–	9

Markets closed: Frankfurt, Paris, London and Hong Kong. New York prices at 12:30.

Chase pressed to cut costs faster

Speculation that NationsBank is considering a bid sends shares up 3% despite a 29% drop in first quarter profit

By Richard Waters in New York

Chase Manhattan, the US bank which has come under pressure from its biggest shareholder to take action to lift returns to investors, indicated yesterday that it would speed up cost-cutting initiatives.

Mr Thomas Labrecque, chairman, promised expenses would be reduced "materially" as the bank announced a 29 per cent fall in first-quarter earnings compared with a year ago. The latest results reflected a $92m loss on trading and underwriting securities, due mainly to losses in emerging markets.

Mr Labrecque's comments signal the bank's first outward response to pressure from Heine Securities, a mutual fund group which earlier this month disclosed a 6.1 per cent holding in Chase.

Chase's shares climbed 3 per cent yesterday morning, to $43¼, on heightened speculation that NationsBank might be considering a bid. The North Carolina-based bank, which also reported results yesterday, has expressed an interest in Chase, and it has been widely talked about as a potential bidder during the last fortnight.

Most industry analysts played down the possibility of an early bid, given that Chase has indicated it has no interest in a deal.

Cost-cutting already undertaken by Chase helped limit the profits fall in the latest quarter. Its expenses for the period were only $20m higher than a year before, at nearly $1.1bn, and would have fallen by 4 per cent had it not been for the cost of an early retirement plan.

The bank's earnings were hit by securities trading losses, which contributed to a $130m reduction in total trading-related revenues, to $94m, and by a fall in its net interest margin. This was due to greater competition for credit card and other lending, as well as higher interest rates, the bank said.

These factors were partially offset by a lower provision for loan losses, which was down by $95m, and by a lower tax charge. Chase's after-tax profits fell to $260m, or $1.29 a share, from $364m, or $1.80 a share.

● NationsBank reported a 6 per cent rise in the first-quarter earnings helped by loan growth and higher fee income. Loans were 15 per cent higher than a year before, at $106bn.

Despite some fall in the bank's lending margins, this was enough to push after-tax profits ahead to $443m, or $1.58 a share, from $417m, or $1.51 a share, the year before.

Chase's return on equity in the quarter slipped to 13.4 per cent, from 20.2 per cent a year before. NationsBank reported a return on equity of 16.03 per cent, compared with 16.82 per cent.

Medeva considers Fisons merger

By Tim Burt in London

Medeva, one of Britain's fastest-growing drugs companies, yesterday said it was considering a merger worth more than £900m ($1.4bn) with Fisons, the heavily-restructured pharmaceutical group.

The two companies, which have been discussing joint venture opportunities since February, want to pool their domestic and international operations.

"Talks have taken place with Fisons regarding the possibility of a merger which could be effected by means of a recommended offer for Medeva," the company said.

If merger terms were agreed, the enlarged group could have a market value of more than £1.88bn.

Fisons is understood to have approached Medeva after embarking on a radical overhaul involving the disposal of previously core businesses.

Last month, it sold its research and development arm to Astra, the Swedish group, for £202m and its scientific instruments to Thermo Instruments Systems of the US for the same price. The move followed the arrival last September of Mr Stuart Wallis, the chief executive appointed from Bowater the paper and packaging company, to revive the group.

Having raised £500m from disposals and cost-cutting, he said Fisons was keen to develop through acquisitions, joint ventures or "partial mergers".

Speculation about a bid pushed Medeva's share price up 14½p to 226½p last week. Fisons shares closed down 6p at 178p.

Medeva, which is 40 per cent-owned by US investors, is thought to have said it not contemplate a merger at less than £3 a share. Such a bid would value the company at £928m.

If Fisons decided to pursue the merger, it would complete a remarkable rebound for Medeva, which saw its share price fall to 95½p in mid-1993 after it issued a profits warning and temporarily closed one of its US plants.

Since then, it has expanded rapidly by acquiring and licensing drugs developed by groups such as Wellcome and Merck.

That low-risk strategy paid off last year with a 39 per cent increase in pre-tax profits to £64.2m.

Fisons, by comparison, reported pre-tax losses of £463.7m, after making a £500m exceptional charge.

Tony Jackson meets the chairman of a data company who is worrying about size

EDS is getting to know all about you

At the heart of the British civil service, a quiet upheaval has taken place. Over the past 18 months, the Inland Revenue's 2,500-strong computer staff – the nerve centre of the UK tax system – have ceased to be public servants. Instead, they work for a company based in Plano, Texas, founded by the eccentric populist Mr Ross Perot and now owned by General Motors.

For most companies, an influx of workers from such an alien culture would be a challenge. Electronic Data Services (EDS) treats it almost with nonchalance. This is a company speciality, it says: of its 85,000 employees worldwide, almost half have been absorbed in just this manner, most of them in the last few years.

EDS will collect $1.5bn for running the Inland Revenue's computers over the next decade. While this is a tidy sum, it needs to be put in context. It is half the size of a similar contract EDS signed last year with the US multinational Xerox. In all, the company's orders in hand – consisting typically of 10-year contracts, and including work for General Motors – is more than $60bn.

Despite such a volume of business locked in until the 2005, EDS is anxiously about where it goes from here. The basic provision of computer services to corporations and governments - part of the trend known as outsourcing - is becoming old hat. Competitors are popping up everywhere, from management consultants to the computer maker International Business Machines and the telecommunications company AT&T.

With sales of $8bn and a market value of over $19bn (EDS is a quoted subsidiary of GM), EDS is plainly still the dominant player in its industry. But how can it stay ahead of the game? Talk to its executives, and a few central themes recur:

● The information revolution means the output of raw information is growing much faster than the capacity of corporations to absorb it. The ambitious aim of EDS is to specialise in converting this data into knowledge.

● Manufacturers are under increasing pressure to deal with their customers direct. In part, this is because relations with the big retailers have degenerated into a war zone, which manufacturer are anxious to avoid.

Consumers in developed markets increasingly demand products tailored to their individual tastes. By using distilled data, EDS claims it can put producers and consumers in direct touch with each other.

● Perhaps most pressing, EDS needs to find the right allies in the converging world of multimedia. Two years ago it had abortive talks with British Telecommunications. Last year it came close to outright merger with Sprint, the US long-distance telephone company. The tone is now more cautious. "We hope to build situational alliances," an executive says, "and not have any enemies."

The argument about the conversion of data to knowledge is developed by Mr Hartmut Burger, who heads EDS's services to manufacturing industry. Take, for instance, process industries like steel or paper making. At every stage in the process, they measure and store data. But they only use it if something goes wrong. "They're data rich and information poor," Mr Burger says. The trick is to use advanced computing techniques to recreate the process, then simulate changes to find ways of improving quality, cutting energy or reducing scrap.

> 'Information discovery,' says one executive, 'is the competitive weapon of the century'

"Information discovery," says another executive, "is the competitive weapon of the century." The information held by corporations is in "vertical silos" – in the finance department or in marketing, in France or Germany. Traditional computers are not powerful enough to bring it together and make sense of it. EDS can do both.

This is particularly relevant, the company claims, in consumer markets. "There is a brick wall between the manufacturer and the customer", Mr Burger says. "All that is known consists of statistical measures. Information technology can let the manufacturer get to know the customer directly."

The argument here becomes slightly murky, dealing as it does with the uncertain future of multimedia. It also becomes, some might think, slightly sinister. It is possible to compile a digital warehouse of marketing information on individuals, by amassing all the information we record about ourselves: what we buy with our credit cards, what we subscribe to, what we call up on cable television.

The result, as envisaged by EDS, goes a long way beyond junk mail, or even junk phone calls. Suppose, an EDS executive says, you bought a General Motors car three years ago. In the age of multimedia, what could be more natural than a personal message from GM on your TV set, suggesting that you update to their latest model?

The ability to do this, of course, requires close involvement in the world of communications. "Telecoms," says an EDS executive, "are incredibly important to everything we do, and incredibly fast-changing. Our skills in telecoms have to improve." However, he says, "we can do that through acquisition, alliances or flat-out hard work."

This ambivalence is borne out by EDS's chairman, Mr Les Alberthal. Whatever the company's dependence on telecoms, he says, "we're not particularly looking for a merger". Since the discussions with BT and Sprint, it seems, the world has moved on. At first, the company worried about its exposure to rising costs in communications: although prices were falling, volume was rising faster again.

In addition, the worldwide trend towards telecoms privatisation prompted questions about the quality of communications in a period of transition.

Now, EDS executives suggest, the explosion of capacity in communications, through broadband, cellular and other networks, means that a powerful buyer of worldwide phone time like EDS has less to worry about.

Also, as Mr Alberthal observes, it is increasingly clear that no single communications company – not even AT&T – is going to cover the globe in the foreseeable future. "We're still out there talking to everybody," he says. "The fact that we had significant discussions with two or three and they didn't pan out suggests there may not be scope for a bigger relationship."

Meanwhile, he worries about who is making which moves in the communications industry. "What does the privatisation process mean in terms of opportunities? Will AT&T's plans [for a global network] pan out? Or Sprint's deal [with France Telecom and Deutsche Telecom]?"

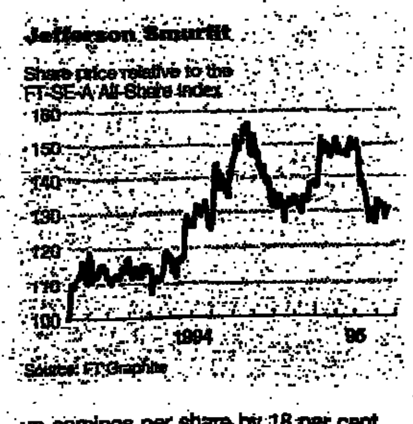
He has another big headache – how EDS will cope with growing larger. "That's definitely an issue I worry about. Anyone employing people in professional services who doesn't worry about size doesn't understand the business. We don't have the answer, except that to the degree we have a better working environment and attract higher quality people, we will deliver higher quality services."

Academic work suggests, he says, that when a company has about 10,000 people and $1bn sales, it has to break through a wall from being an entrepreneurial company to being a big one. EDS reached that point in the early 1980s. Then it was acquired by General Motors, almost doubling in size in the process. "That blew us through the period of transition," Mr Alberthal says. "Overnight we were a multi-billion company with 20,000 employees, so we had to deal with it or fail."

Most companies in professional services, he observes, are small partnerships. "We've been running against that grain for 30 years. Is there a magic point where you can't handle it? I don't know. It's a real issue. I rank it as just as important as what happens to the technology of our industry in the next 10 or 15 years."

This week: Company news

Jefferson Smurfit set to package bumper bundle



Jefferson Smurfit, the Irish paper and packaging group, is expected tomorrow to report full-year pre-tax profits in excess of I£100m ($162m), with many analysts expecting around the I£110-I£115m. The upturn from last year's I£47.8m is due mainly to the upswing in the paper industry, although the real boost to revenues is expected in 1995 figures when analysts are predicting a near-tripling of profits to around I£330m.

■ **Philip Morris:** The US tobacco and foods group is expected to shrug off weak demand for cigarettes in its domestic market and report a big increase in first quarter profits today. Strong export volumes and an increase in market share for Marlboro and its other premium cigarette brands are forecast to have pushed up earnings per share by 18 per cent to $1.58.

■ **Coca-Cola:** This is another US consumer products group which is expected to show strong profits growth. The company is thought to have passed on an increase in the cost of aluminium cans by raising prices, and with demand buoyant at home and overseas, analysts are predicting that earnings per share could have risen by as much as 20 per cent to 48 cents when the results come out tomorrow.

■ **AT&T:** Tomorrow also brings first quarter figures from the US long-distance telephone group. The long-distance companies are in a marketing war, which AT&T is thought to be winning. Forecasts are around $0.77 per share, compared to last year's $0.69. Rival long-distance company Sprint should report on today and MCI tomorrow.

■ **Albert Fisher:** The UK-based food processor and distributor is expected on Thursday to report interim pre-tax profits of £19m ($30.4m) against £20.1m a year earlier before gains from disposals. Investors will be keen to hear about progress at Rahbek Group, the Danish seafood processor it bought a year ago. But for all its efforts to add value to its products and increase buying power through acquisitions, the group remains heavily influenced by fluctuating commodity prices beyond its control.

■ **House of Fraser:** The UK-based department store group owned previously by the Fayed brothers and floated last year, is expected on Thursday to announce pre-tax profits for the year to January little changed from last year at about £35m ($56m) - £34.5m last time. Analysts, who were forecasting profits in excess of £45m at the time of the float, have twice reduced forecasts after HoF produced an interim loss and a disappointing January trading statement. With the shares at 157p, compared with the flotation price of 180p, investors are looking for reassurance that the group's investment programme will deliver an improvement in trading.

■ **Barrick Gold:** Two of Canada's biggest companies are due to report first quarter earnings this week. Barrick Gold is generally expected to show profit equal to 20 cents US a share, little changed from a year earlier. While **Imperial Oil**, according to the consensus forecast, will report around 71 cents (Canadian) per share, up from 50 cents a year earlier.

Target has 'failed to deliver value' with only modest earnings rises

Gehe to renew attack on AAH

By Peter Pearse and Tim Burt

Gehe, the German pharmaceutical group, will today renew its assault on AAH by criticising the UK drugs wholesaler's recent trading performance and urging shareholders to accept its £400m hostile takeover bid.

The company, which last week increased its offer from 420p to 445p per share, claims that AAH has "failed to deliver value" by generating only modest increases in earnings per share and maintaining flat dividends.

Publishing its revised offer document today, it is also expected to question the success of AAH's long-term rationalisation programme, pointing out that operating margins have remained almost unchanged over the past five years.

AAH is likely to repudiate most of Gehe's allegations later this week or early next.

While the UK drugs wholesaler is prohibited from issuing any new financial information under Takeover Panel rules, it is allowed to expand on issues it has already addressed.

Of the points already aired, two are likely to be elaborated. It might specify from where the £14m cost savings, which formed the main plank of the second defence document, will come and how they will be engineered.

Also, there could be more information on the strengthening of AAH's management. This was alluded to in its latest defence. "On completion of the divestment programme, a management structure appropriate to the group's focus on its healthcare businesses will be introduced."

The point is expected to form part of presentations made to AAH's main shareholders this week.

Gehe, meanwhile, will remind shareholders that its offer represents a 44 per cent premium to the AAH share price shortly before the bid was launched.

The company said yesterday it was a fair approach at more than 20 times AAH's estimated 21.5p earnings per share for the year to March 31.

The German group acquired some 12.4m AAH shares in the market on April 12, taking its total stake to 17.8 per cent, and is likely to pick up more.

The chances of success of the revised offer is finely balanced, in the view of many analysts. It was not as high as had been expected, but could still be enough to secure shareholder approval.

PDFM holds 17.2 per cent of AAH shares, Schroders 7 per cent, Threadneedle Asset Management 5.5 per cent and Newton Investments about 3 per cent.

Mill House £4m pub purchase

By Simon London

Mill House Inns, headed by a former director of Grand Metropolitan, is buying 12 freehold pubs which were previously owned by Inntrepreneur Estates, the joint venture between GrandMet and Fosters Brewing Group, for £4.15m.

The pubs were sold by Phoenix Inns, a subsidiary of Morgan Grenfell, the merchant bank, which in January acquired 1,750 pubs from Inntrepreneur for £250m.

Mr Bob Williams, the chairman and chief executive of Mill House, was managing director of GrandMet Estates, which effectively runs Inntrepreneur, until earlier this year.

Mr Chris Parratt, who was previously operations director in charge of Inntrepreneur's non-tied estate, is finance and business development director.

Mill House will spend a further £4m refurbishing the properties, which had a turnover last year of some £10m.

Mr Williams said that Mill House had finance available for further acquisitions. The company is backed by Causeway Capital, the development capital company and advised by Guinness Mahon Corporate Finance.

PAY PACKAGES

National Express chief's pay up by 25%

By Tim Burt

Mr Ray McEnhill, chief executive of National Express, saw his pay and benefits package increase by 25 per cent last year after the long-haul coach and regional airport operator reported a sharp increase in profits.

Mr McEnhill, who helped to steer the group to pre-tax profits of £15.2m (£9.31m), was paid a total of £306,000 (£244,000).

The group's annual report and accounts, published at the weekend, showed that his basic salary rose from £130,000 to £150,000 while his performance-related bonus was increased 54 per cent to £120,000 (£78,000).

He was also granted more than 111,000 share options at 270p, against a mid-market price for the shares of 291p last year.

Mr McEnhill has been credited with pushing through National Express's expansion into bus travel, dominated by the £243.7m acquisition last month of West Midlands Travel – one of the UK's largest bus operators – and the £7.13m takeover of Bournemouth International Airport in February.

It emerged at the weekend, however, that six non-executive directors at the airport had resigned, complaining that the site had been undervalued.

● The total pay, pension and bonus package of Mr Maurice Dixson, chief executive of Simon Engineering, received £362,301 after his first full year with the plant, contracting and mobile platform group.

Although the company failed to pay a dividend and admitted that it faced significant problems last year, it paid Mr Dixson a £60,000 bonus and £50,520 pension allowance after he masterminded a restructuring that cut pre-tax losses from £160.3m to £18m and reduced gearing from 264 per cent to 86 per cent.

● Mr Neville Buch, chairman of Blenheim Group, the exhibitions organiser, saw his total pay and benefits cut from £361,525 to £330,139 last year.

He and other directors also waived £177,900 of other benefits and did not receive a bonus. The company announced a 33 per cent fall in profits last month.

● Lord Stevens, chairman of United Newspapers, enjoyed a 7 per cent increase in salary and bonuses last year as his total pay package rose from £436,776 to £467,069.

● Argos, the catalogue retailer, last year awarded its directors bonus payments worth nearly five times that of 1993. This helped push total directors' emoluments up by 14 per cent from £1.32m to £1.5m.

The company's 1994 annual report shows basic salaries and benefits falling slightly to £1.05m (£1.06m) but bonus payments increased to £232,000 against £48,000 previously.

The highest paid director, Mr Mike Smith, chief executive, received a 20 per cent rise in his salary and benefits from £268,950 to £323,251.

Last year's pre-tax profits increased by 20 per cent to £100.2m.

New Saatchi wins most of Dixons' business

By Diane Summers, Marketing Correspondent

New Saatchi, the breakaway agency set up by Maurice Saatchi after his ousting from Saatchi & Saatchi, has moved close to the top 20 UK advertising agencies by winning business from Dixons, the electrical retailer.

In a deal signed just before Easter, Dixons removed its £40m spending from Saatchi & Saatchi, placing most of the creative work on the account with New Saatchi.

New Saatchi said its billings had more than doubled with the deal to about £75m. Mr Nick Hurrell, joint chief executive, said: "This win takes the agency to a critical mass".

Another agency, D'Arcy Masius Benton and Bowles, will do a small amount of creative work for Dixons and carry out all media buying. Saatchi & Saatchi's sister company, the Facilities Group, continues production work on the account.

New Saatchi is likely to double its staff to about 80 people to handle the Dixons business.

Margins on the work gained by New Saatchi are likely to be tight. It is believed the largest profits are made in the media buying and production ends of the account and Dixons has taken the opportunity of the review to drive down costs on creative work.

Still upwardly mobile

Paul Cheeseright and Alan Cane on Caudwell Communications

By the end of this year Caudwell Communications will have seen its sales rise by more than 93 times and pre-tax profits by 55 times over the past seven years.

The Stoke-on-Trent company is an expanding survivor in a sector of such speedy growth that failure beckons all but the fittest and surest of foot. It is involved in the provision of mobile telephone services.

When the figures for 1994 are reported they will show pre-tax profits of £2.5m and sales of £85m. This year it is expecting pre-tax profits of £4.5m on turnover of about £140m.

Whether such rapid growth can be maintained depends as much on markets overseas as on domestic sales.

The domestic industry is quirky. Wholesaling companies such as Caudwell make little or no profit on the sale of a telephone. They recoup their investment and generate earnings from the provision of the telephone services. It is like selling a razor but locking the buyer into a certain type of blade.

When the business started in the UK 10 years ago, the pioneering operating companies Vodafone and Cellnet were forbidden to deal directly with customers to prevent the emergence of monopolies. Instead, they had to deal through service providers such as Caudwell.

The service provider buys airtime from the operator at a discount and sells it on either to customers or to dealers. The service company is also responsible for billing the customer and collecting the cash. For every pound collected, about 75p goes to the service operator.

"The more subscribers you put on, the more that reduces the profit. The benefits of expanding the subscriber base will come through from 1997 onwards," said Mr John Caudwell, managing director.

John Caudwell: managing without outside finance

In the last two years, Caudwell has raised the number of subscribers from 100 to 3,000 a month. The target for December 1996 is 20,000. This is not a large portion of the market. Nationally the number of new subscribers last year averaged about 150,000 a month.

Service providers and operators both pay commission to dealers to encourage them to recruit new customers – typically £160 from the operator and £100 from the service provider for each new customer.

Making a profit in such a business means running a tight operation with low overheads. Caudwell is respected throughout the industry for this. It is one of the top 10 Vodafone service providers in the UK and close to being the largest in private hands.

Service providers can also be distributors, and the company is distributing about 40,000 telephones a month. The precise balance between domestic retailers and overseas markets is unclear. It is opening subsidiaries in Africa, Asia and Europe. Mr Caudwell believes that in countries such as China and India, the development of hardware networks will give way to cellular networks.

However the company's international ambitions may not sit too comfortably on the present capital structure. Mr Caudwell and his brother Brian own 96.5 per cent of the equity. The balance is held by Mr Craig Bennett, the finance director.

Since 1989 the Caudwells have made certain that the value of their capital has consistently been greater than their borrowings. "I'm happy I can manage the business until flotation without requiring outside finance," said Mr Caudwell.

Such a flotation would take place between 1997 and 1999. "Prior to flotation, the strategy is organic growth. After flotation, and this one of the reasons for doing it, there will be the opportunity to have acquisitive growth," he added.

Such acquisitions will probably concentrate on the purchaser of management teams. "Our biggest problem is people."

But the Caudwells make it clear they will float on their own terms. "I want Brian and I to retain a majority in the company."

They will float up to 40 per cent of the company, which they hope will be valued at about £250m.

In the past five years the rules have been changed and service providers are no longer obligatory. Does this mean the beginning of the end for companies such as Caudwell?

Their response is that well run service providers will always be valued by operators as the linchpins of an efficient and cost effective distribution network, without which the mobile phone explosion would scarcely be manageable.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Seagram (Canada)	MCA (US)	Film production	£3.6bn	Matsushita heads for exit
Zurich Insurance (Switzerland)	Kemper (US)	Financial services	£1.25bn	Zurich leads agreed bid
Gehe (Germany)	AAH (UK)	Pharmaceuticals	£400m	AAH unimpressed by increase
Holtzbrinck (Germany)	Macmillan (UK)	Publishing	est £200m	Majority stake agreed
ABN Amro (Netherlands)	Alfred Berg (Sweden)	Banking	£85m	Volvo continues disposals
Alco Standard Corp (US)	Southern Business Group (UK)	Office equipment	£81.1m	Rival bidders bowing out
Vickers (UK)	Aquamaster Rauma (Finland)	Engineering	£32m	Complementary buy
Metall Mining (Canada)	WBH (Austria)	Mining	£12m	Needs sundry approvals
Pioneer Investments (US)	First Investment Voucher Fund (Russia)	Financial services	£11.2m	51% stake approved
BT (UK)/Banca Nazionale del Lavoro (Italy)	Albacom (JV)	Telecoms	n/a	Another link in Euro-chain

NEWS IN BRIEF

ASCOT HOLDINGS, the property, pubs and hotels group which underwent a financial restructuring in December, has sold its freehold property, Hunt End Estate, Redditch, West Midlands, to Revelan Estates for £3.25m. Proceeds will be used to reduce debt. The gross rental income from the 131,000 sq ft property amounts to £280,500 a year.

DWYER ESTATES has exchanged contracts to buy a residential development site on the Fulham Road in south-west London from British Telecommunications for £4.45m cash.

FIFE INDMAR: Open offer has closed with 218,087 new ordinary shares taken up by shareholders which have been allotted to them in full. The balance of 2.86m new ordinary shares (92.9 per cent) has been placed with institutional investors.

LISTER & CO. is to sell Albert Mill, Bingley, West Yorkshire for £670,000 in cash. Proceeds will be used to reduce bank borrowings.

UNIT GROUP has announced subscriptions for 1.17m shares, representing 39 per cent of the rights issue shares.

VINTEN GROUP: Recent open offer has been accepted in respect of 6.36m new shares, representing 92.67 per cent. EGM approved the acquisition of Sachtler.

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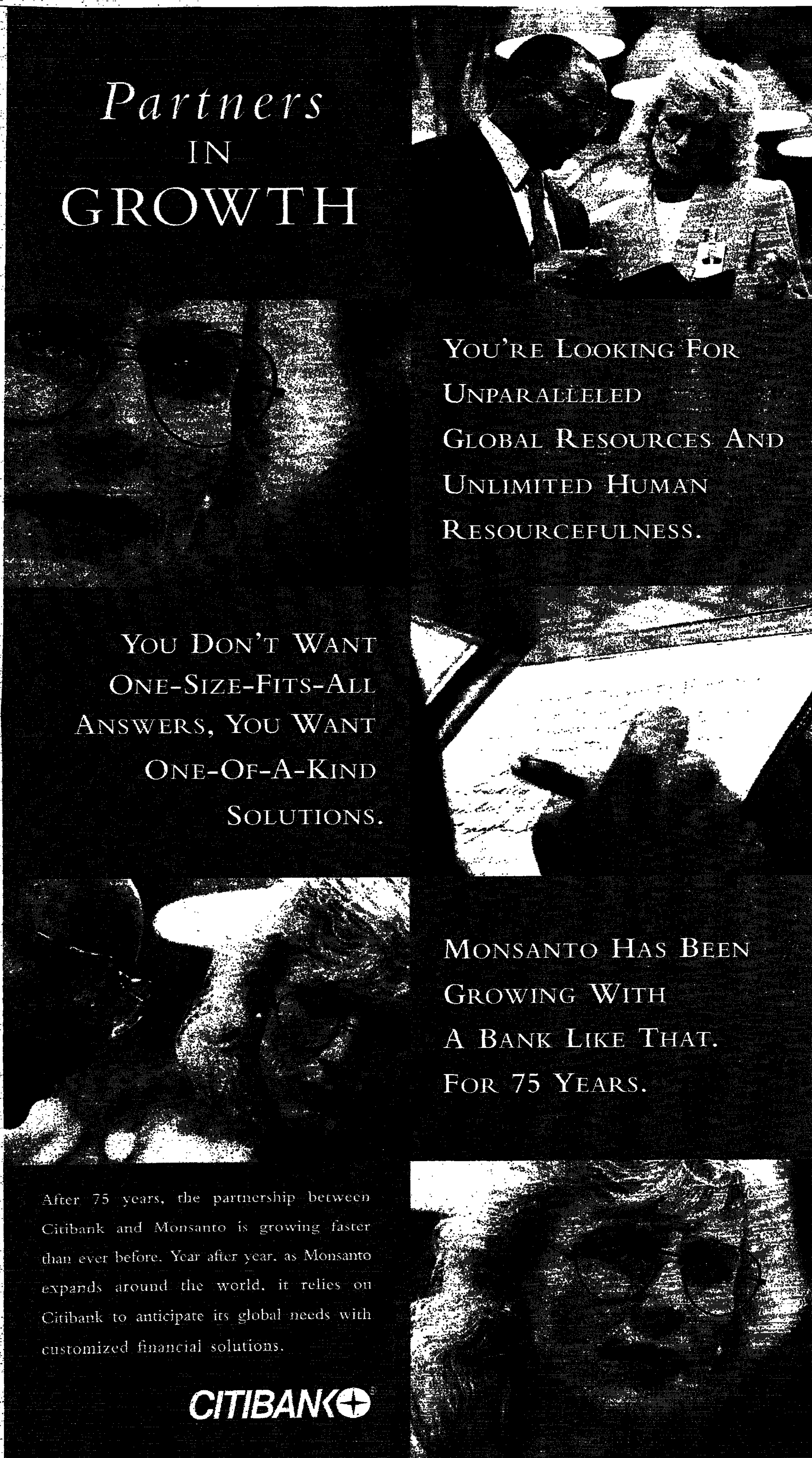

COMPANIES AND FINANCE

Alcatel Alsthom may split job of chairman

By John Ridding in Paris

Alcatel Alsthom may separate the roles of chairman of the group and of its telecoms subsidiary as it seeks to resolve the management crisis created by the ban on Mr Pierre Suard, its embattled chairman.

Mr Suard appears set to be replaced at a board meeting this evening, following Friday's decision by an appeals court to uphold the main elements of a judicial order barring him from running the transport, telecoms and engineering concern. The order was issued last month by a magistrate probing allegations of over-billing of France Télécom and the abuse of company funds.

The Alcatel chief, who has denied any wrongdoing, is likely to remain on the Alcatel board. However, this evening's meeting is expected to appoint a caretaker chairman to oversee the search for a permanent successor. Mr Marc Viénot, head of Société Générale, one of France's biggest banks and Alcatel's biggest shareholder, is widely expected to be the interim chairman.

Some within the group believe Mr Suard's functions should be split between that of chairman of Alcatel Alsthom and a new head for Alcatel, the telecoms arm. They argue this would help decentralise management and increase flexibility at the telecoms division, and that the range of the group's activities, which spans the manufacture of high-speed trains, power stations, and cables represents too demanding a task for the head of the telecoms subsidiary. "It is like asking Jack Welch [chairman of General Electric] to look after the day-to-day running of the turbines business of General Electric," says one executive.

Such a reform, however, would be expected to run into opposition from some board members who favour the maintenance of the existing structure. "It is part of French business culture to have a powerful PDG [chairman and chief executive]," said one industry observer.

The board wants a successor for Mr Suard by its annual shareholders' meeting in late June. Speculation on possible candidates has included Mr Serge Tchuruk, chairman of Total; Mr Jean Syrota, chairman of nuclear group Cogema; and Mr Pierre Bilger, head of GEC-Alsthom, the engineering and transport joint venture with GEC of the UK.

Sega forced to lower forecasts

By Emiko Terazono in Tokyo

Sega Enterprises, the Japanese video games maker, has been forced to revise down profit forecasts for its recently-completed business year because of the surge of the yen and further sluggishness in the European market.

The company's announcement follows a similar revision warning earlier this month by Nintendo, which now expects pre-tax profits to be nearly 7 per cent lower than projected.

Sega said it had revised down its consolidated recurring profits for the year to the end of March by 62.7 per cent from initial projections, to Y10.3bn ($123.6m), less than half the Y21.6bn posted the year before.

The dollar averaged Y99.60 for the fiscal year, compared with Y108 in the previous 12-month period. Sega's forecasts for the current year are based on the assumption that the dollar will average Y85.

Sega also blamed the sluggish European home video games market, which grew rapidly in 1991 and 1992, and slow sales in the US, where consumers are shifting to next-generation products recently introduced to the market.

Sega Europe is expected to report a net loss of just less than Y9bn in the latest fiscal year. Sega said the size of Europe's video games market had fallen 75 per cent from its peak. Against this backdrop, Sega has reduced software inventories at its European subsidiaries and is considering a new advance into the market for next-generation games products.

In the US, Sega said home video games demand had run its course, leading US subsidiaries to break even at the net level. For all of North America, Sega posted a net loss of Y1bn. Sega blamed weakness at Canada-based units.

Group after-tax profits for the year were revised down by 56.5 per cent to Y5bn, a 55.4 per cent drop from the year earlier. Sales were also revised down, by 4.6 per cent to Y360bn, against the previous year's Y416.5bn.

Sega said it was trying to overcome the high yen problem by increasing the share of its amusement business – building and operating games entertainment centres – domestically and internationally, and by accelerating its move to shift production overseas.

Sales of home video games products currently account for two thirds of its revenue, and company officials see this declining as revenue from other divisions grow. The company earlier this year announced it would open an amusement centre in London's Piccadilly Circus next year, and sees further scope for growth in the sector.

On a non-consolidated basis, Sega expects recurring profits for the 12 months to last March to plunge 45.9 per cent from the year before, to Y23bn. Parent after-tax profits are now expected to fall 39.7 per cent from a year earlier, to Y23.2bn, on a 5.9 per cent decline in sales to Y333bn.

Luxottica wins battle for US Shoe with $1.3bn offer

By Richard Tomkins in New York

Luxottica, the Italian spectacle frame maker, yesterday looked set to become the biggest retailer of its type in the US after winning its battle to take over US Shoe, the lossmaking US retailer, with an increased offer worth $1.3bn.

The two sides on Sunday reached agreement in principle to a deal in which Luxottica will pay $28 in cash for each US Shoe share, $4 a share more than it originally offered. The accord is subject to the approval of both companies' boards and the drawing up of a definite merger agreement.

Luxottica, already a big supplier of spectacle frames to the US, approached US Shoe in March looking to buy its LensCrafters business, the biggest US retailer of eyeglass frames, and to sell the remaining operations.

US Shoe has three retailing businesses, of which LensCrafters is the best performing. A second operation sells footwear, and a third, the worst performing, sells women's clothing.

Last month, US Shoe rejected Luxottica's $1.1bn offer as inadequate and announced it had agreed to sell its footwear business to Nine West, another US footwear retailer, for $560m in cash plus stock warrants.

It is understood this deal will still go ahead under the agreement with Luxottica. As originally planned, the Italian company is also expected to seek a buyer for the women's clothing business.

Even after the disposal of the footwear and women's clothing business, Luxottica will be acquiring a business much larger than itself. Last year, Luxottica had revenues of L813bn ($476.8m), while US Shoe's eyewear business alone had revenues of $767m.

US Shoe shares were up $1 at $27¼ in midday trading, while Luxottica lost $¼ to $34¾.

UBS may act against BK Vision

By Ian Rodger in Zurich

Union Bank of Switzerland (UBS) is considering legal action against BK Vision, an investment company and its largest shareholder, for publishing accusations that allegedly damage the bank's reputation.

On Saturday, BK, which holds about 3.6 per cent of the eligible votes, sent a letter to its shareholders saying it would vote against the normal motion to discharge UBS directors of their responsibility for last year's affairs. Such a move had been expected after BK filed criminal charges two weeks ago against Mr Robert Studer, UBS chief executive, and other directors, for wilfully damaging the bank last year.

BK also wrote that the stock market distrusted UBS and insinuated that its directors lacked integrity.

UBS said the letter, which was reproduced in BK advertisements in two Swiss newspapers at the weekend, was "completely over the top".

The letter pointed to two preliminary court judgments which acknowledged that it was plausible that UBS directors bought the bank's shares last autumn to influence the outcome of a vote to convert its registered shares into bearers.

BK said it had sought criminal proceedings against UBS directors because they spent large sums of shareholders' money to buy registered shares last autumn in the run-up to the vote on the share conversion plan. According to BK, they did so in the knowledge that the value of those shares, then at an effective premium to the bearers, would fall if the conversion plan was approved, and they always expressed confidence it would be approved.

UBS rejected the charges as being "entirely without substance". The Zurich District Attorney has yet to decide whether there is sufficient evidence to authorise formal proceedings.

As a result of this action, according to BK, "the market distrusts the bank's leadership", a claim UBS disputes. "Our shares have performed recently in line with the market," it said.

The bank also retains triple A ratings from all leading credit agencies.

NEWS DIGEST

Enichem trims loss for year

Italy's Enichem state petrochemicals company has trimmed its consolidated losses to L857bn ($502.6m) last year from L2,678bn in 1993 and expects to report strong profits this year, Reuter reports from Rome.

Enichem posted a consolidated operating profit of L899bn in 1994 against a loss of L819bn in the previous 12 months. However, extraordinary items totalling L533bn and financial charges of L723bn resulted in an overall loss, the company said.

Net financial indebtedness had fallen to less than L5,000bn at end-1994 from L8,356bn at end-1993. It had dipped below L4,000bn by the end of March, thanks to a joint venture with Union Carbide. Turnover in 1994 was L11,556bn, an increase of 18.3 per cent on 1993 when calculated in the same terms.

Teck mine stake

Teck Corporation, the Canadian mining group, has agreed to pay C$108m (US$78.9m) for a stake in the potentially rich nickel, copper and cobalt deposit at Voisey Bay, Labrador, writes Bernard Simon in Toronto.

Teck will buy 3m shares at C$36 each in Diamond Fields Resources, the exploration company which discovered the Voisey Bay deposit. Diamond Fields' shares were trading at C$33 on the Toronto Stock Exchange before yesterday's announcement.

Mr John Lydall, analyst at First Marathon Securities in Toronto, estimated in a recent report that Voisey Bay could produce between 60m and 110m lbs of nickel a year.

Santander issue

Banco Santander, the largest Spanish banking group, has launched a $300m subordinated debt issue in the US market as part of a strategy to strengthen its capital base as it embarks on fresh expansion plans, writes David White in Madrid.

The issue of 10-year bonds at 7.935 per cent, underwritten by a syndicate led by Merrill Lynch, is its second this year, bringing the total to $450m.

Mr Matías Rodríguez Inciarte, vice-chairman, said the issue would raise the ratio of capital to assets to 10.7 per cent, compared with 10.3 per cent at the end of last year.

The end-1994 level was down from more than 13 per cent prior to Santander's acquisition last April of the controlling stake in Banco Español de Crédito (Banesto). However, Mr Rodríguez Inciarte noted this was still above the minimum laid down by the Bank for International Settlements.

Nedlloyd pays first dividend in five years

By Ronald van de Krol in Amsterdam

Nedlloyd, the Dutch shipping and road-haulage group, is to pay a dividend for the first time in the 1990s, after returning to profit in 1994 and forecasting that it will at least match this in 1995.

The company said it swung into a net profit of Fl 92m ($59.1m) from a net loss of Fl 112m in 1993. Turnover was almost flat at Fl 6.61bn compared with Fl 6.60bn, but this was partly because of disposals and a decline in transport rates. The underlying increase in volumes carried by Nedlloyd was 7 per cent.

Nedlloyd plans to pay a Fl 1.25 dividend on 1994 results, marking the first payout since the 1989 dividend of Fl 3.30.

In ocean-going shipping, Nedlloyd boosted its operating results to Fl 114m from Fl 39m, while in European road haulage, operating results improved to a profit of Fl 54m from a loss of Fl 4m the year before.

For 1995, Nedlloyd forecasts net results at least equal to 1994's if the dollar remains in its current trading range of Fl 1.55 to Fl 1.60.

Time Warner to sell 51% of Six Flags unit

By Tony Jackson in New York

Time Warner, the US media group, is to sell 51 per cent of its Six Flags theme parks business to a US investment group for $200m. The deal, part of its drive to reduce debt after recent heavy expenditure on cable-TV networks, also involves the transfer of $800m of debt to the new venture.

The investment group is led by Boston Ventures, a venture capital firm which specialises in entertainment and the media. Time Warner said it would retain joint responsibility for managing Six Flags. Its chairman, Mr Gerald Levin, said: "We will retain all the strategic benefits of having Six Flags as an integral part of the Time Warner family."

Mr Robert Pittman, head of Six Flags, was last week reported to be seeking a buy-out of the business on terms similar to those agreed with Boston Ventures. Time Warner said Mr Pittman had agreed to stay on through the summer, after which it would appoint a replacement.

Mr Levin said the deal brought to $1.1bn the total reduction in Time Warner's debt since the debt reduction programme was announced in February. The group's purchase of cable networks is costing almost $5bn.

Six Flags, which runs 10 parks in seven US locations, was bought by Time Warner between 1991 and 1993 for $120m in cash plus the assumption of $550m in debt.

Time Warner also reported a 7 per cent rise in group cash-flow, to $681m, for the first quarter and a 7 per cent reduction in its net loss to $50m, or 13 cents a share.

Appeal of derivatives widens

There is growing interest in managed futures funds in Europe, writes Richard Lapper

European pension funds and insurance companies are making wider use of derivatives in their investment strategies, according to a survey* by Intersec Research, the US consultancy group, and the European Managed Futures Association.

They found that some European fund managers had begun to invest directly in so-called "managed futures" or "structured derivatives" funds, which use futures and options as their primary means to gain exposure to markets.

Mr Stephen Oxley, vice-president of Intersec in London, said interest in the managed futures funds indicated the sector could be emerging in Europe as a separate asset class, as has happened to some extent in the US.

Such funds usually invest in a combination of cash or bonds and exchange-traded derivatives.

Of the 350 European pension funds and insurance companies interviewed for the survey, 14 said they invested in managed funds. Many more said they would consider such investments within the next five years.

Mr Oxley said interest was stronger in continental Europe than in the UK. A much bigger percentage of fund managers said they used derivatives to support investments in other assets, such as bonds and shares. Some 174 employed them either directly or through contracted fund managers. More than 100 used them for tactical asset allocation, a technique to manage shifts in investments in underlying shares and bonds more efficiently than through conventional means. A smaller number used them for hedging currency and interest rate risk.

Mr. Oxley said the survey identified opportunities for banks and the fund management industry in the area of managed futures, but much depended on how the products were marketed and the education offered to customers.

In spite of evidence of widespread use, the survey found a high level of fear and misunderstanding of derivatives among investment managers, pension fund trustees and committees responsible for approving investment decisions.

Restrictions outlined in investment guidelines limited the use of managed futures or structured derivatives at 56 per cent of the institutions surveyed. Poor understanding by management, negative press and the lack of a recognised benchmark also depressed their employment.

* *Intersec Research (London Office), Pegasus House, 37-43 Sackville Street, London W1X 1DB. 0171-287-3898.*

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FINANCIAL TIMES MARKETS THIS WEEK

Global Investor / John Plender

The giddy upward path of the yen

If the world were a saner place, last Friday's package of measures to stimulate the Japanese economy and restrain the appreciation of the yen would spark off a spate of stabilising speculation. The Japanese institutions would lead an unhedged charge to purchase dollar assets, with the result that an outflow of private capital would finally cause the yen to reverse its giddy path.

It will not, of course, take place, as the initially pessimistic reaction in the currency markets rightly implied. But it is worth exploring the nature of this capital and currency market logjam, because it exposes numerous contradictions in the way modern fund management works.

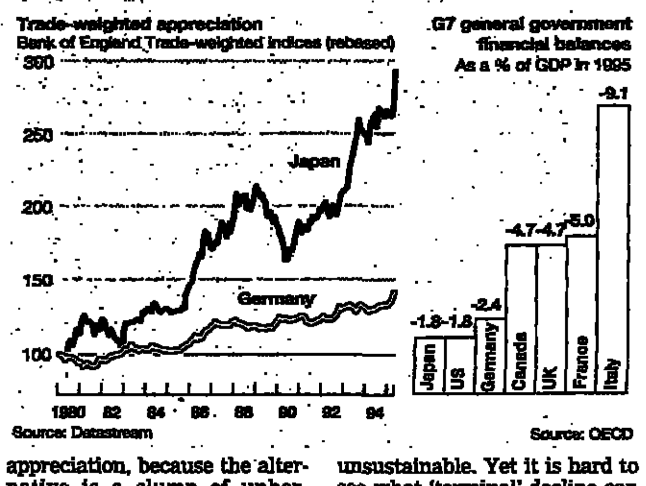
The starting point is the plight of the Japanese life assurance companies, discussed here on December 12. Theirs is the extreme example of the dilemma of fund managers who are struggling to make high nominal returns in a disinflationary world.

The crude arithmetic is that the Japanese life companies have guaranteed returns to policyholders of about 4½ per cent. Yet the deflationary implications of a soaring yen have contributed to a fall in the yield on the Japanese 10-year benchmark government bond from just over 4½ per cent at the start of the year to nearer 3¼ per cent today. If this continues the insurers are insolvent.

The paradox of their situation is that one of the only ways for such a heavyweight group of investors to generate above-average nominal returns in the present deflationary climate is to exploit currency overshoots. True, this sounds like a case of incurring high risk to secure the higher reward. Yet in the case of Japan, the risks are now mitigated to a remarkable extent.

As the chart clearly shows, the structural appreciation of the yen on a trade weighted basis is phenomenal – a far more extreme phenomenon, in fact, than the appreciation of the dollar in the first half of the 1980s. Such is the damage wrought by the overvalued yen on the domestic economy that it is safe to say that policy will have to continue adjusting in order to restrain the yen's appreciation, because the alternative is a slump of unheralded magnitude.

A yen for appreciation



Source: Datastream
Source: OECD

The risks should not be ignored. There are those who argue that the dollar is in terminal decline, on the basis of an endemic current account deficit; and with $500bn of external debt, its role as a reserve currency is said to be unsustainable. Yet it is hard to see what 'terminal' decline can mean in a currency market, especially when applied to the currency of a country as rich as the US. A current account deficit of 2 per cent of GDP is scarcely overwhelming and the US budget deficit is no great shakes when compared with some of Europe's high spenders (see chart).

Total return in local currency to 13/4/95*

	US	Japan	Germany	France	Italy	UK
	% change over period					
Cash						
Week	0.12	0.03	0.09	0.15	0.20	0.11
Month	0.51	0.19	0.41	0.75	0.87	0.53
Year	4.94	2.56	5.38	5.91	7.94	5.69
Bonds 3-5 year						
Week	0.40	-0.55	0.07	0.13	0.51	0.48
Month	1.06	1.75	2.06	2.52	1.57	1.84
Year	5.31	6.74	5.03	3.12	0.11	5.31
Bonds 7-10 year						
Week	0.49	-0.61	-0.37	-0.17	0.44	0.43
Month	1.29	3.08	2.20	3.05	2.10	2.60
Year	6.16	7.89	2.36	-0.83	-10.15	4.00
Equities						
Week	0.4	2.1	1.0	0.1	0.3	0.7
Month	3.8	-0.9	-0.4	7.6	-0.6	6.7
Year	17.1	-17.3	-10.5	-9.4	-22.6	4.4

* – equities to 12/4/95. Source: Cash & Bonds – Lehman Brothers, Equities-© NatWest Securities. The FT-Actuaries World Indices are jointly owned by The Financial Times Ltd, Goldman Sachs & Co., and NatWest Securities.

Indeed, looked at from a Japanese perspective, there is one modest compensation for the lack of US concern over the dollar. Because the external sector is relatively small and the dollar acts as a numeraire for commodity prices, the inflationary damage from further devaluation is not so daunting.

Compare and contrast with Europe where many countries are devaluing again just when capacity utilisation is rising. This points to inflationary pressure and the threat of yet more devaluation, with the added worry that many of the devaluers need to run impossibly large primary budget surpluses to stabilise their debt-to-GDP ratios. D-Mark-related assets, meantime, look expensive because the D-Mark is itself the subject of an incipient bubble.

The clinching argument for contrarian behaviour is sheer size. The life insurance companies alone have assets of $2,000bn or so, which could arguably make a positive judgment on dollar assets self-fulfilling.

But they will not make the judgment, partly because of regulatory constraints on investing in foreign assets, but more because the whole culture of Japan is, to coin a phrase, the opposite of contrarian. It requires official prompting, in the shape of further deregulation and a commitment by the Bank of Japan to embark on unlimited, unsterilised intervention in the foreign exchange market.

Until that happens, it would be foolish to rely on the Japanese to act as stabilising speculators. Or, for that matter, on US institutional investors.

The US cultural hang up consists of paying too much attention to theoretical arguments for international diversification. The arguments become self-fulfilling prophecies because the resulting capital outflows depress the dollar, so enhancing the value of foreign assets. And because many developing countries have been forced to offset the impact of US capital inflows on their own markets by accumulating dollar reserves, there is further downward pressure on the dollar as US investors panic out of emerging markets and the reserves are run down.

When the turn in the dollar-yen rate finally comes, US pension fund trustees will observe that the currency markets have delivered a disproportionate amount of their total return.

Their fund managers will tell them, as the dollar appreciates, that they should be grateful for the resulting underperformance because it has been achieved at a lower degree of risk than would otherwise have been the case. They will then be dispatched to outer darkness in search of a new theory – and the Japanese will reap the rewards as the dollar soars.

But here we are in the realms of speculation. For the moment the Japanese motto is a more materialistic version of St Augustine's: please God make me money, but not yet.

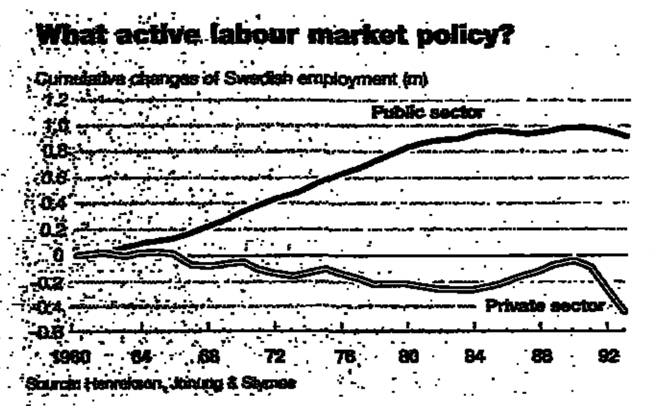
Economic Eye / *Martin Wolf*

The limits of socialism

Observers might assume that the economic difficulties of Sweden, a small country perched on the northern fringe of Europe, are of modest importance. They would be wrong. Sweden's difficulties are as significant, in their way, as the death of Soviet communism. They mark the outer limit of social democracy.

With the revisionism of the German socialist, Eduard Bernstein, in the late nineteenth century, socialism split into democratic and totalitarian varieties. Nobody should have found gulag socialism attractive (though a depressingly large number did). Social democracy is a different matter, since it promises the prosperity of capitalism, the openness of democracy and the security of socialism.

What active labour market policy?



Source: Henrekson, Jonung & Stymne

Since the Social Democrats have been in power for most of the past 60 years, it is in Sweden that democratic collectivism has reached its apotheosis. The "Swedish model" has been characterised as "the centralised and peaceful way of solving conflicts in the labour market, the full-employment policy and the centralised organisation of society."* Other observers describe the ideology of the Social Democratic Party as a "mix of corporatism, welfarism, non-market oriented regulation, full employment, a large public sector and strong all-encompassing unions."**

Under socialism, economic activities are nationalised; under social democracy, incomes are collectivised. Enterprises have remained private in Sweden, but a majority of voters obtain their incomes from the state.

Until 1970, Sweden had been outstandingly successful. Over the previous 100 years GDP per man hour rose faster than in any other significant OECD country. Since 1970, however, GDP growth has been only slightly more than half the OECD average. As a result, Sweden's purchasing-power-parity adjusted income per head fell from the third highest to fourteenth by 1991.

Until 1990, however, Sweden had low unemployment and an exceptionally equal distribution of income. Then came the deluge. The contraction of the Swedish economy between 1990 and 1993 was worse than in any OECD country, except Finland. GDP fell 5 per cent over these three years; industrial output shrank 13 per cent; gross capital formation fell almost a third; employment fell 12 per cent; the rate of joblessness reached over 14 per cent; and the fiscal deficit rose to 13 per cent of GDP.

Sweden's chronic ailments had suddenly turned critical. In the process several propositions were revealed as mythical, among them the view that active labour market policies guaranteed low unemployment. The summary paper of a US-Swedish joint research project labels the 5.5 per cent of GDP spent on these policies "an expensive luxury".†

Sweden enjoyed low unemployment not because of labour market policies but because the public sector was employer of last resort (see chart). As is noted in that summary paper, "all employment growth in Sweden since the early 1960's has been in services provided by local government. All of it has been by women." What has, in fact, been most active in the labour market has been the nationalisation of household services. "In Sweden", notes Professor Sherwin Rosen of the University of Chicago, "a large fraction of women work in the public sector to take care of the children of other women who work in the public sector to care for the parents of the women who look after their children."‡

As a result of such policies, the ratio of public sector spending to GDP rose from 31 to more than 70 per cent between 1960 and 1993, while the number of public employees rose from 500,000 to 1.6m, to reach a third of the total. Consequently, the share in GDP of the competitive sectors of the economy has halved over the past 40 years, while that of sheltered sectors has risen from 60 to 80 per cent. Internationally exposed production has been increasingly taxed, with deleterious consequences for productivity growth and the balance of payments.

Generous welfare benefits, wage equalisation and high taxes have reduced the incentive to acquire skills and increased absenteeism. They have also led to a declining rate of household savings, a low rate of formation of new enterprises and incentives to shift production abroad.

If Sweden's crisis is to be resolved, the state must shrink. For that reason, the Sweden of today represents the high water mark of social democracy. This need to shrink should alone serve as a dire warning to others tempted by the Swedish path. But the warning is starker still. Can a democratic state reduce its role when so large a proportion of the population is utterly dependent upon it?

* *Assar Lindbeck et al, Turning Sweden Around (Cambridge, Mass and London, England: MIT Press, 1994);*
** *Magnus Henrekson, Lars Jonung and Joakim Stymne, Economic Growth and the Swedish Model, Working Paper No.19, Stockholm School of Economics, May 1994, Box 6501, S-113 83 Stockholm;*
† *Richard B. Freeman, Birgitta Swedenborg and Robert Topel, NBER/SNS Project: Reforming the Welfare State. Economic Troubles in Sweden's Welfare State – introduction, summary and conclusions, Occasional Paper No 69, January 1995, Centre for Business and Policy Studies, Box 5629, S-11486 Stockholm;*
‡ *Sherwin Rosen, NBER/SNS Project, Public Employment and the Welfare State in Sweden, Occasional Paper No. 61, January 1995.*

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY APRIL 14 1995 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	THURSDAY APRIL 13 1995 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (83)	173.52	0.1	160.48	91.39	125.40	155.82	0.0	3.89	173.29	160.17	91.53	125.16	155.82	180.82	157.95	171.53
Austria (27)	185.83	-0.1	171.86	97.87	134.29	134.21	0.0	1.29	185.92	171.83	98.20	134.27	134.21	198.89	167.46	176.96
Belgium (35)	188.79	-0.0	174.60	99.43	138.43	133.04	-0.0	3.96	188.84	174.54	99.75	136.39	133.04	188.84	161.66	164.66
Brazil (26)	109.87	0.0	101.61	57.87	79.40	183.54	0.0	1.76	109.87	101.55	58.03	79.35	183.54	–	–	–
Canada (103)	136.51	0.5	126.25	71.90	98.65	135.28	0.0	2.58	135.84	125.55	71.75	98.11	135.28	140.26	120.54	129.03
Denmark (33)	261.94	-0.2	242.25	137.96	189.29	194.57	-0.0	1.83	262.38	242.48	138.57	189.48	194.57	275.27	238.61	249.36
Finland (24)	183.63	-0.1	169.83	96.72	132.70	164.93	0.0	1.45	183.75	169.83	97.06	132.71	164.93	201.41	133.88	147.66
France (101)	181.76	-0.1	168.10	95.73	131.35	138.37	-0.0	3.10	181.99	168.20	96.12	131.44	138.37	185.25	157.79	170.56
Germany (59)	149.51	-0.1	138.38	78.80	108.11	108.11	0.0	2.15	149.89	138.36	79.07	108.11	108.11	154.61	132.06	137.51
Hong Kong (55)	345.25	0.0	319.30	181.84	249.50	342.79	0.0	3.93	346.25	319.10	182.36	249.35	342.79	416.42	277.40	365.78
Ireland (16)	222.89	-0.1	206.14	117.39	161.07	192.27	0.0	3.53	223.00	206.11	117.79	161.06	192.27	229.00	180.67	187.24
Italy (58)	70.49	1.6	65.19	37.12	50.94	89.76	1.5	1.71	69.39	64.13	36.65	50.12	89.46	97.79	65.45	92.26
Japan (483)	155.47	-1.5	143.78	81.88	112.36	81.88	-1.8	0.93	157.83	145.88	83.37	113.99	83.37	170.10	136.95	158.08
Malaysia (97)	487.54	0.1	450.90	256.78	352.32	462.85	0.1	1.74	486.91	450.03	257.18	351.67	462.62	594.76	398.16	467.44
Mexico (18)	898.40	-0.0	829.02	472.11	647.78	6169.58	0.0	1.76	896.40	828.49	473.47	647.40	6189.58	2414.12	647.81	1885.91
Netherland (19)	238.01	0.0	220.12	125.36	172.00	169.05	0.0	3.73	238.01	219.98	125.72	171.90	169.05	238.83	194.56	201.31
New Zealand (14)	81.87	-0.4	75.71	43.12	59.16	64.69	0.0	4.54	82.17	75.94	43.40	59.35	64.69	82.17	63.46	65.20
Norway (33)	216.84	0.1	200.64	114.21	156.70	182.99	-0.0	2.31	216.65	200.24	114.43	156.47	182.99	217.74	177.53	193.24
Singapore (44)	364.43	-0.1	337.04	191.94	263.38	234.32	0.0	1.84	364.64	337.02	192.60	263.38	234.32	401.38	313.94	334.80
South Africa (59)	344.16	0.1	318.29	181.28	248.70	271.08	0.0	2.50	343.85	317.80	181.62	248.34	271.08	353.13	214.42	214.84
Spain (38)	136.07	-0.4	125.84	71.68	98.33	127.28	0.0	4.47	136.56	126.21	72.13	98.83	127.28	150.21	124.10	138.89
Sweden (48)	246.07	0.2	227.57	129.60	177.82	265.71	0.0	2.16	245.55	226.95	129.70	177.34	265.71	247.40	196.70	213.06
Switzerland (47)	182.77	0.0	169.03	96.26	132.08	130.31	0.0	1.93	182.85	169.00	96.58	132.06	130.31	185.67	149.91	160.85
Thailand (46)	139.28	0.0	128.81	73.36	100.65	132.74	0.0	3.20	139.31	128.76	73.58	100.62	132.74	–	–	–
United Kingdom (203)	208.30	-0.1	192.64	109.71	150.53	192.64	0.0	4.26	208.43	192.64	110.09	150.54	192.64	208.93	181.11	190.17
USA (510)	208.11	0.0	192.47	109.61	150.39	208.11	0.0	2.73	208.11	192.35	109.92	150.30	208.11	208.11	179.72	181.70
Americas (659)	190.44	0.0	176.12	100.30	137.82	159.74	0.0	2.71	190.40	175.97	100.57	137.51	159.74	–	–	–
Europe (741)	180.34	0.0	166.78	94.98	130.32	150.73	0.1	3.24	180.31	166.65	95.24	130.23	150.63	180.98	160.59	167.24
Nordic (138)	234.47	0.1	216.85	123.49	169.44	208.35	0.0	1.97	234.27	216.52	123.74	169.19	208.35	235.72	197.70	204.85
Pacific Basin (822)	163.80	-1.3	151.30	88.18	118.23	92.30	-1.5	1.30	165.69	153.14	87.52	119.67	93.71	176.86	145.93	164.90
Euro-Pacific (1563)	170.47	-0.7	157.86	89.78	123.19	114.43	-0.8	2.15	171.88	158.67	90.66	123.89	115.37	175.14	154.73	165.73
North America (613)	203.68	0.0	188.37	107.27	147.19	203.17	0.0	2.73	203.64	188.21	107.56	147.07	203.17	203.68	176.47	178.43
Europe Ex. UK (538)	161.40	0.1	149.27	85.01	116.63	127.47	0.1	2.67	161.30	149.06	85.20	116.50	127.33	162.04	144.12	151.06
Pacific Ex. Japan (339)	244.20	-0.0	225.85	128.61	175.47	213.34	0.0	3.27	244.09	225.61	128.93	176.30	213.32	273.13	211.19	251.03
World Ex. US (1771)	170.78	-0.7	157.92	89.93	123.40	117.71	-0.8	2.17	171.88	158.85	90.78	124.13	118.62	176.65	165.42	166.12
World Ex. UK (2078)	179.94	-0.5	165.86	94.46	129.80	139.39	-0.5	2.17	180.16	166.51	95.16	130.11	140.15	180.18	163.45	168.37
World Ex. Japan (1798)	197.77	0.0	182.50	104.18	142.91	183.54	0.0	2.94	197.72	182.75	104.44	142.60	183.60	197.77	176.74	179.91
The World Index (2281)	181.89	-0.4	168.21	95.79	131.44	144.01	-0.5	2.37	182.64	168.81	96.47	131.91	144.72	182.64	165.92	170.30

Markets open 14/4/95: Italy, Japan and Malaysia.

COMMODITIES — Richard Mooney

Zinc market nears milestone

The zinc market could pass a psychologically important milestone today on its return journey from the slough of despond.

Fourteen months ago zinc won the dubious distinction of becoming only the second base metal to see its stocks total in London Metal Exchange registered warehouses pass the 1m-tonne mark.

The climb continued until early October, when a peak of nearly 1.24m tonnes was reached. But there has been an almost uninterrupted downward trend this year and the announcement of anything more than a 175-tonne fall this morning will take the stockpile back into six figures.

Though that might be of only arithmetical interest it could be seen as a promising augury for Thursday's meeting of the International Lead and Zinc Study Group's statistical committee, at which production and consumption projections for the rest of this year will be issued.

The zinc market did not participate in the strong rise seen by many metals last year (though lead, its sister metal, did) but neither has it fallen back so much. When stocks passed 1m tonnes the three months delivery stood at slightly more than $1,030 a tonne and when they peaked it was close to $1,070, where it is again now, having briefly topped $1,200 in January.

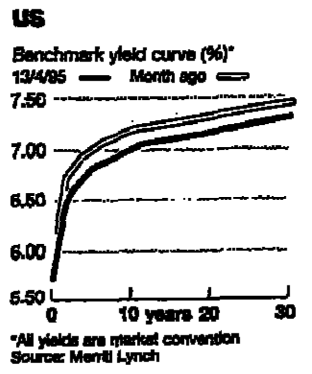
Weighing on zinc market sentiment has been the failure of producers to respond in sufficient numbers to the market's depression by mothballing capacity. But there have recently some signs of movement.

Notably, Japan's Mitsubishi is reported to be likely to withdraw from smelting, because of the strength of the yen against the dollar.

"Most zinc smelters in Japan are in the red, due to the yen's surge since earlier this year," a metal industry analyst told the Reuters news agency last Thursday. "Others may follow the Mitsubishi move, cutting metal output or considering a withdrawal in the worst cases."

WORLD BOND MARKETS: This Week

NEW YORK — Richard Tomkins



*All yields are market convention
Source: Merrill Lynch

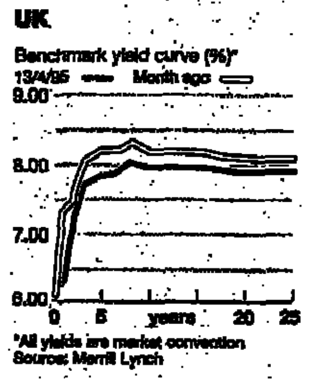
The dollar's weakness has tripped up the rally in US bond prices in recent weeks, yet economists remain bullish on the outlook.

Economic data continue to suggest growth is continuing slowly enough to keep inflation under control; leading inflation indicators have taken a turn for the better; and the threat of another Federal Reserve tightening is fading. Salomon Brothers says benchmark yields are still attractive relative to surveys of long-term inflation expectations, averaging less than 3¼ per cent. Donaldson, Lufkin & Jenrette predicts that the 30-year bond will be yielding 7.25 per cent or lightly less at the end of the year.

This optimism could take a hit if there are signs of stronger-than-expected growth in the second quarter, so today's figures for housing starts in March will be closely watched. The median forecast from MMS International is for a rise in the seasonally adjusted annual rate from 1.32m in February to 1.35m. However, the rise can probably be attributed to mild weather, and there is little evidence that demand will remain buoyant.

Other figures that could affect the market are those for unemployment claims on Thursday and the latest Philadelphia business outlook survey, but the bulls believe both will bring further evidence that economic growth is under control.

LONDON — Richard Lapper



*All yields are market convention
Source: Merrill Lynch

Gilts gained ground last week, partially as a result of a firmer US markets.

By the beginning of the Easter holiday, 10-year yields were 7 basis points lower than at the end of the previous week.

The markets are sceptical about further scope for price rises, with some analysts arguing that institutional buyers are unlikely to return to the market inforce at present price levels.

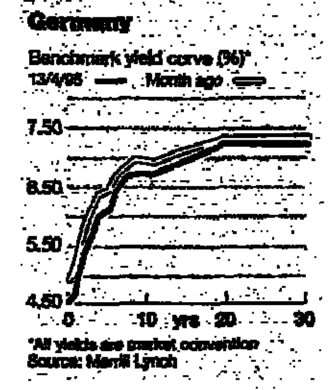
According to Mr Andrew Roberts, analyst with UBS, "gilts are expected to underperform core markets in thin conditions, given the unwillingness of domestic investors to support the market at current levels".

The short end of the market is expected to be sensitive to retail sales data due to be published on Friday,says Mr Roberts, who expects the yield spread between two-year and 10-year paper to fall from its present level of 59 basis points.

Tomorrow, the market will focus on the publication of the minutes of the meeting on March 8 between Mr Kenneth Clarke, Chancellor of the Exchequer, and Mr Eddie George, Governor of the Bank of England, with speculation about a further increase in base rates likely to intensify.

PSBR numbers for March are due to be published on Thursday.

FRANKFURT — Andrew Fisher



*All yields are market convention
Source: Merrill Lynch

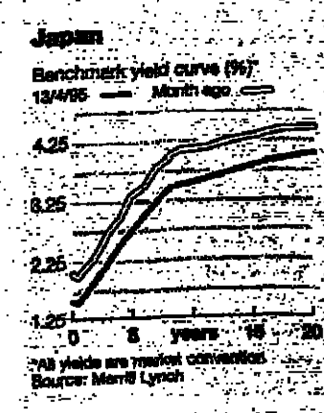
The Bonn government patted itself on the back last week when Germany's six leading economic institutes pronounced on the economy. In spite of the weakness of the dollar and other currencies against the D-Mark, and the consequences for exporters, the economists held to their forecast of 3 per cent economic growth this year. Ministers took this as an endorsement of their policies.

However, they chose to ignore the criticism of government tax and fiscal policies. The institutes disliked the way the government handled tax changes aimed at helping the lower paid, accusing it of ignoring its own tax commission.

For financial markets, keenly watching the actions of governments, this could be a sign that Germany's "safe haven" status cannot last for ever. If the tax system remains confused – with rates too high and with too many distorting allowances and concessions – and spending is not reduced adequately, a reduction in the fiscal burden will be hindered.

The institutes also said the heavier pensions and unemployment burden since reunification should not simply be financed through higher contributions; they should be paid for out of taxes. This would cut industry's social costs and help create jobs. The Bundesbank is likely to make similar warnings in its annual report this week.

TOKYO — Emiko Terazono



*All yields are market convention
Source: Merrill Lynch

Bond prices received a boost from last week's cut in the official discount rate, and from a sharp decline in the overnight call rate on the short-term money markets yesterday.

Following the 0.75 percentage point cut in the ODR, to a record low 1 per cent, traders had expected the overnight call rate to fall around 1.4 or 1.5 per cent. However, the Bank of Japan yesterday provided extra funds, indicating it is likely to press commercial banks further to lower their short-term prime lending rates.

Aside from the ODR cut, the lack of response from the stock and currency markets to the government's emergency economic package also supported bond prices. Yields have discounted the immediate impact of the yen's strength on investor and business confidence.

Mr Masataka Sera, of Sanwa Bank's capital market trading division, says bond prices are continuing to discount the deteriorating outlook for the economy.

Market participants are focused on the central bank's quarterly economic outlook, which is released on Friday, which will give further indications of the bank's perception of the economy. It has revised its outlook in the past few weeks and investors will be looking for further subtle changes in the wording of its report.

African bonds

Ghana prepares for leaner donor days

Ghana is set to become the second sub-Saharan African country to have an international bond market.

Plans for its launch later this year will be discussed this week by representatives of the Ghana stock exchange, stockbroking firms, merchant banks, the Bank of Ghana (the country's central bank) and the finance ministry.

South Africa is currently the only sub-Saharan African country with such a market.

Ghana's move comes almost five years after it opened an equity market. Some 18 companies, with a market capitalisation of about $2bn, are listed on the Ghana stock exchange. The dominant listing is that of Ashanti Goldfield, the mining group which is also quoted on the London Stock Exchange.

Mr Yeboa Amoa, managing director of the stock exchange, said: "We have had a stock exchange for nearly five years and we thought this was the logical step in providing a broader range of products."

The government hopes the new market will not only help it raise funding, particularly for long-term development projects, but that it helps it prepare for a time when it can no longer rely on international donor aid. However, not all investors agree with the timing of the move.

The new market, which is being set up by the stock exchange as part of its own operations, will eventually trade a wide range of products including government, corporate and municipal bonds, as well as mortgage-backed securities.

Mr Donald Jones, an independent consultant engaged by the World Bank to advise on the project, said: "There is already a viable money market in commercial paper and treasury bills, so the foundation has already been constructed for the early implementation of a bond market."

Mr Jones believes the Bank of Ghana will be the first issuer of long-term debt, possibly with a five-year maturity bond. "This will offer a benchmark against which other products such as municipal an corporate bonds can be priced," he said.

Like many African countries, Ghana has relied on export proceeds and multilateral and bilateral aid to fund public expenditure. Government borrowing in the market has been through the sale of short-term treasury bills, the longest with a maximum maturity of only two years. Discount houses and commercial banks have been the main buyers.

Mr Victor Selormey, deputy minister of finance, said: "There is a serious bottleneck in government funding activities. We think the way forward is to issue bonds. It will help us raise large sums of money and enable us to plan our expenditure, without us having to rush into deficit financing."

The move would also relieve the central bank of the need to issue short-term treasury bills, he said, especially as there was no viable secondary market for them. "It will not reduce short-term borrowing completely, but it will reduce it over time."

Ghana has won the confidence of the international donor community and agencies such as the World Bank and the International Monetary Fund in recent years for not only pulling the economy out of a downward spiral, but also for introducing measures to liberalise and expand it. Gross domestic product is expected to grow by 5.5 per cent this year.

In spite of such progress, international donor funding will continue to play a vital part in government spending over the next few years.

But, says Mr Selormey, "there will come a time when donor funding will not be enough for the things we want to do".

Mr Ken Ofori-Atta, chairman of Databank Brokerage, a local stockbroker, said a bond market was necessary "if we are to maintain the momentum towards achieving a fully-fledged capital market". Databank plans to launch the first bond fund to coincide with the opening of the market. "This will enable retail domestic investors and international investors to get into this market easily," said Mr Ofori-Atta.

News of the launch has been welcomed by some international investors. Mr Kofi Bucknor, executive director for Africa at Lehman Brothers, the US investment bank, said: "It's something I've been in favour of for a long time. If you don't have a fixed-income market you can't price long-term assets – thus you can't attract long-term money. It's the key to pricing long-term assets."

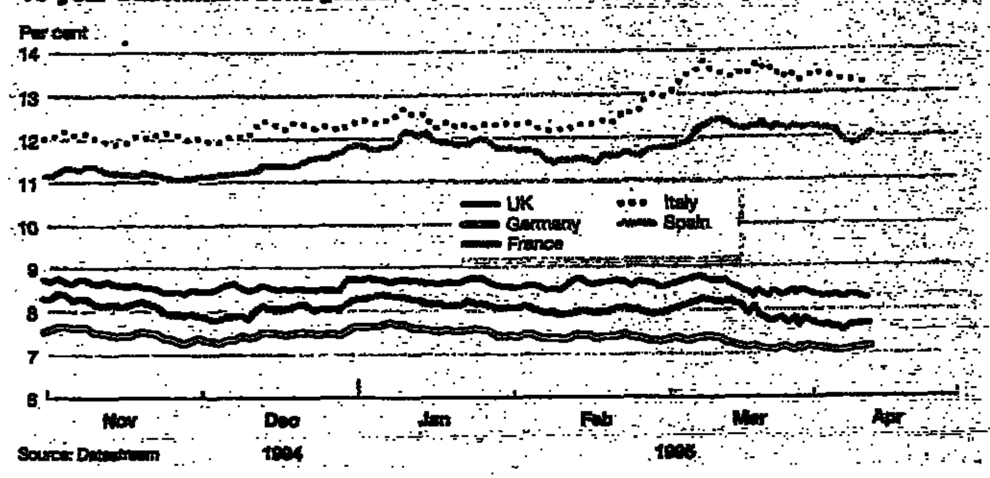
However, Mr John Taylor, Africa analyst at Morgan Grenfell, the UK merchant bank, suggested Ghana should concentrate on improving its equity market first.

"I think they still have to improve the structure of the market as a whole. The quality of the brokers is still poor, and the costs of trading in that market are extremely high. I also think more companies should be listed. I think moving into bonds at this stage is premature," he said.

The Ghana market is meeting some of the criticisms. Mr Amoa said more companies would be listed this year, and he referred to the impending government sale of three banks later this year.

Joel Kibazo

10-year benchmark bond yields



Source: Datastream

INTEREST RATES AT A GLANCE

	USA	Japan	Germany	France	Italy	UK
Discount	5.25	1.75	4.00	8.40[1]	8.25	6.75[2]
Overnight	5.94	1.84	4.44	7.63	10.06	5.25
Three month	5.75	1.53	4.50	7.33	10.50	6.56
One year	6.19	1.50	4.75	8.31	11.31	7.44
Five year	6.81	2.74	6.34	7.35	13.13	8.17
Ten year	7.03	3.46	7.08	7.76	13.31	8.31

(1) France-Repo rate. (2) UK-Base rate. Source: Reuters.

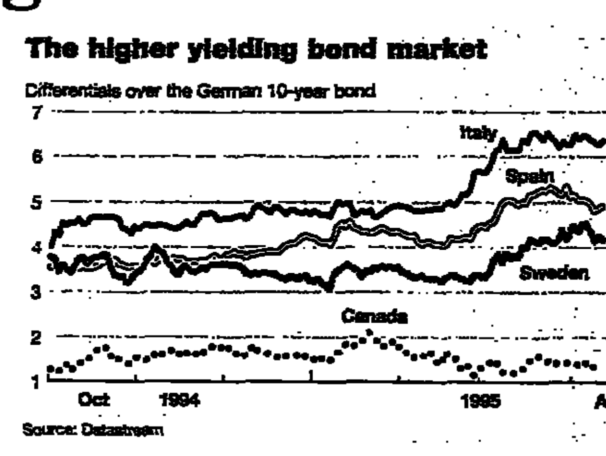
US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	105-19	105-18	+0-13	105-24	105-16	330,447	333,844
Sep	105-05	105-03	+0-12	105-08	105-03	2,105	18,615
Dec	104-26	104-23	+0-12	104-26	104-21	32	1,578

Government bond markets

Concern grows over Sweden's health

The higher yielding bond market



Source: Datastream

The decision last week by Moody's, the US credit rating agency, to remove its coveted triple-A rating from Canada's domestic debt and lower the rating on Ottawa's foreign debt, has again highlighted the difficulties faced by the higher-yielding government bond markets.

Ironically, the decision has come at a time when these markets are enjoying something of a respite after a generally dismal start to the year. And it is particularly unfortunate for Canada, whose immediate prospects are viewed more favourably by the markets than those for other European high yielders such as Italy, Sweden and Spain.

Moody's reduced its ratings on Canada's domestic borrowings to AA1 from AAA and on the foreign debt to AA2 from AA1, arguing that "the level of uncertainty in forecasting the medium and long-term fiscal position of the public sector warranted the rating reduction".

Accumulated debt of the federal government and the 10 provinces has risen sharply in recent years, and now totals C$900bn, or about 120 per cent of gross domestic product, one of the highest ratios among industrial countries.

Moody's cautioned that public-sector debt had grown to the point where any deviation from a medium-term stabilisation programme, however temporary, could have "very negative" financial consequences.

However, investors in Canada's bond markets clearly take a more positive view of the country's prospects. Canada's bond yields, at 164 basis points over US Treasuries and 160 over the Bund, mean the market is rated more highly than Europe's high yielders. Although prices dipped sharply in the first three weeks of 1995 – partly due to uncertainty stemming from Mexico's financial problems – they have since recovered impressively, with yields on 10-year paper falling from a high of 9.65 per cent on January 19 to 8.66 per cent last Thursday.

The markets have been impressed by the commitment of central and provincial governments to cut budget deficits; they also like signs that with elections due, a political consensus is emerging in favour of fiscal conservatism.

"All parties are fighting elections on that platform. It resonates with voters," says Mr Michael Dell, bond analyst with UBS. "There appears to be a fundamental shift towards more conservative economic policies."

Six of Canada's 10 provinces have recently announced balanced 1994-95 budgets.

By contrast, the markets are more concerned about Italy, Sweden and Spain. Italy has been the poorest performer of the three so far this year, mainly reflecting currency weakness – the lira has fallen about 15 per cent against the D-Mark since the start of the year – and broader political instability. Yields on Italian 10-year bonds have risen from 12.38 per cent at end-December to 13.49 per cent last Wednesday, with the yield spread of the BTP over the bund increased to more than 600 basis points at the beginning of last month.

Over the same period, Swedish and Spanish bonds have fared better. Even so, prices of 10-year paper have fallen, with yields rising from 11.86 to 12.05 per cent in Spain, and from 10.9 to 11.32 per cent in Sweden.

Arguing that Italy's difficulties are reflected in the price, some analysts are more worried about prospects for Sweden and Spain. In Spain, rising inflation, and budget and political problems are all giving rise to concerns. March consumer price figures showed inflation had ,risen to an annual rate of 5.1 per cent, from 4.3 per cent at the start of the year, although much of the increase is due to a rise in value-added tax in February. The fiscal deficit – 6.7 per cent of GDP for 1994 – is also worrying the markets. Mr Graham McDevitt, bond strategist at Paribas Capital Markets, also points to problems of supply for bond traders, with no new issues since last summer.

In Sweden, the markets shrugged off the impact of rises in the discount and lending rates by the Riksbank last week, with yields falling 7 basis points on Wednesday. But investor concern about the underlying health of the bond market is growing.

Mr McDevitt says the markets were too optimistic on fiscal and debt problems last year. "Back in the fourth quarter people were thinking the government [which came to power in September last year] was in control and ahead of the game. The market has realised it was taking too optimistic a line on the debt problem," he said.

A supplementary budget, scheduled for April 25, will provide a focus for these worries, with analysts suggesting the scale of budget cuts is unlikely to meet the SKr30bn level favoured by the markets.

Some even fear the decline this year in the krona – which has lost 10 per cent against the DM – coupled with Sweden's relatively high external indebtedness (more than a third of government debt is denominated in overseas currencies), could make it more difficult for Sweden to service debt.

Pointing to that relationship, Mr Michael Burke, senior economist at Citibank, says that Sweden "could be trapped in a downward spiral".

Richard Lapper

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book runner
US DOLLARS							
International CableTel(a)§★	175	Apr.2005	7.25‖	100.00	-	-	Salomon Brothers
GECC	250	May.2001	7.375	99.928R	7.391	+28½(6⅝%-00)	Merrill Lynch Intl.
HJ Heinz Co.	250	Apr.2000	7.50	100.056R	7.486	+37½(6⅝%-00)	Morgan Stanley Intl.
PEWC (Treasury)(b)‡	75	May.1998	(b1)	100.00	-	-	IBJ Asia/ Soc.Gen. Asia
EGGS, Tranche 2(e)★‡	36	Nov.1999	(e1)	100.20	-	-	Daiwa Bank Cap.Mgmt.
EGGS, Tranche 3(e)★‡	40	Dec.1999	(e1)	100.20	-	-	Daiwa Bank Cap.Mgmt.
YEN							
EGGS, Tranche 1(e)★‡	2bn	Nov.1999	(e2)	100.20	-	-	Daiwa Bank Cap.Mgmt.
Kingdom of Sweden, T.1(g)★	25bn	Aug.2000	3.10	99.95R	-	-	Daiwa Europe
Kingdom of Sweden, T.2(g)★	45bn	Aug.2002	3.85	100.00R	-	-	Daiwa/ Fuji Intl. Fin.
THK Co.(g)★	10bn	Jul.2000	3.55	100.25	-	-	IBJ International
STERLING							
Slough Estates(c)	100	May.2017	10.00	98.355R	10.19	+160(8¾%-17)	SG Warburg Securities
D-MARKS							
Deutsche Finance Nethe.	500	May.2002	7.00	102.05	6.625	-	Deutsche Bank
Ford Credit Europe	200	May.2002	7.25	102.225	6.839	-	WestLB
Bela Finance Corp.‡	100	Apr.1996	(f)	100.14	-	-	Lehman Bros.Bankhaus
SWISS FRANCS							
Helaba International Finance	150	May.2003	5.00	103.375	4.489	-	Zurich Kantonalbank
GUILDERS							
Baden-Wuerttemberg L-Fin.	400	May.2000	6.625	99.575R	6.728	+18(9%-00)	Rabobank/ SBC
LUXEMBOURG FRANCS							
Great Belt	2bn	Jun.2005	7.75	102.55	7.381	-	Kredietbank Lux.
Kommunekredit(i)	2bn	Jul.2002	7.50	102.25	7.08	-	BIL
Crédit Foncier de France(s)	2bn	Dec.2002	7.80	102.59	7.16	-	BGL
Ispa Finance Co.(s)	2bn	Mar.2001	7.375	102.50	6.85	-	BCEE
Commerzbank(d)	2bn	Dec.2001	zero	100.00	7.060	-	Crédit Européen
DANISH KRONER							
Finance for Danish Industry	400	Jun.1998	8.00	101.271	7.511	-	Kredietbank Intl. Group

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. ‡Floating-rate note. ¶With equity warrants. ★Unlisted. ‖Semi-annual coupon and yield. R: fixed re-offer price. a) Conversion price $36¼. Callable from Apr.98 at par. b) Callable and puttable in 2 yrs. b1) 6-mth Libor +60bp. c) Spens call option. d) Redemption price: 155.60%. e) European Government General Securities. Backed by EU state debt obligations. e1) 3-mth Libor +50bp. e2) 3-mth Libor +35bp. f) 3-mth Libor flat. g) Over interpolated yield. i) Long 1st coupon. s) Short 1st coupon. Note: Yields are calculated on ISMA basis.

مكرر من الاصل

EMERGING MARKETS: This Week

The Emerging Investor / Leslie Crawford

Mexico faces renewed concerns

A month-long recovery in Mexican stocks was broken before Easter by a spate of profit-taking and renewed concern over the effectiveness of the government's economic emergency programme.

The IPC index of 37 leading shares fell by 3.5 per cent on very thin trading this week to close at 1,829 last Wednesday, the last day of trading before the Easter break.

Profit taking was expected after the steady rise of share prices since Mr Guillermo Ortiz, the finance minister, announced an austerity plan to stabilise the financial markets on March 9.

The nascent confidence in Mr Ortiz' economic management was upset this week when he published revised trade figures for February which cut the original estimate of the trade surplus by half.

The revised surplus of $235m, against the original $452m estimate, suggests that Mexico is still far from achieving the balanced current account it needs to reduce its dependence on external finance. In January, the trade account was $530m in deficit.

It was the $29.5bn current account deficit in 1994 - 8 per cent of gross domestic product - and a heavy dependence on short-term borrowing which triggered a crisis of confidence among foreign investors and forced the devaluation of the peso in December.

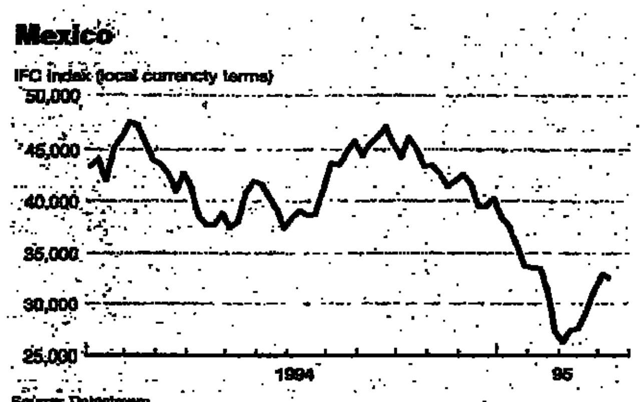
"The revised figures are disappointing," said Mr Gene Frieda of NatWest Washington Analysis. "They aggravate worries that the government may be massaging statistics to present an artificially rosy picture of Mexico's economic progress."

Mr Frieda doubted whether Mexico would be able to achieve its goal of a $6bn trade surplus this year - an average of $500m a month - without squeezing imports further and deepening a recession which is officially forecast to lead to GDP contracting by 2 per cent in 1995.

While concern appears to have abated over Mexico's ability to honour its $38.7bn short-term debt, analysts believe the economy has not yet felt the full impact of the government's severe adjustment programme, in which government spending has been cut by 10 per cent, taxes and public tarifs have been raised and real incomes are expected to fall by 50 per cent in 1995.

"The second quarter will be very hard on companies and individuals," predicted Ms Rosa Helena Tejado, of the Spanish consultancy Grupo Moneda in Mexico City. "Companies have so far sought to defer costs, but inflation and the need to settle accounts with suppliers is catching up on them. Higher interest rates will also affect indebted companies.

"We do not believe that the stock market has touched bottom yet."



Source: Datastream

Inflation, which totalled 14.54 per cent in the first three months of 1995, is expected to rise by a further 8 per cent in April. The government believes its tight monetary policy will bring inflation under control in the second half of the year.

Nevertheless, Mr Ortiz' programme has brought some stability to Mexico's nervous financial markets. The peso has strengthened to about 6.25 to the dollar, against 7 at the height of the financial crisis. The stock market will shortly begin trading in dollar futures, which will provide companies with a hedge against currency fluctuations and inject an element of certainty in their financial planning.

In addition, some publicly-quoted companies are expected to do well as a result of the devaluation. Grupo Alfa, the steel, petrochemical and food conglomerate, has reported an 80 per cent increase in sales as a result of a big rise in exports in the first two months of the year. Its operating margin has increased from 7 to 17 per cent.

Telmex's prospects still look strong despite Merrill Lynch's decision to cut the telecommunication company's rating to a long-term neutral from above average, which depressed Mexico's leading stock this week. The company has recently introduced phone cards in Mexico City and is reported to be selling 33,000 a day. It has also cut international call charges in a bid to edge out US rivals which offer call-back systems.

Cifra, which owns supermarket chains and retail stores, is also expected to report good first-quarter results, benefiting from being cash rich and having little corporate debt.

Mining companies such as Grupo Mexico, which owns the Cananea copper mine, will also be basking in a peso bonanza through its copper exports.

Bank stocks remain under the cloud of their non-performing loans, which increased by 45 per cent in the first three months of the year and now total 80bn pesos ($12.5bn), or 15 per cent of the banking system's total loan portfolio.

Construction companies such as ICA, Tribasa and Grupo Mexicano de Desarollo (GMD) have been the first to suffer the impact of the recession. All three built toll roads, on which traffic has plummeted, and may face difficulties in servicing their debt obligations out of declining toll revenues.

With the exception of a few emerging market funds, foreign investors have yet to return to the Mexican market. When they do so, they are likely to be more selective than last year, when they accounted for 70 per cent of trading in Mexican shares.

Mr Deryck Maughan, chief executive officer of Solomon Brothers, told the annual convention of the Mexico City stock exchange last week that it was only a question of time before foreign capital started flowing back to Mexico. "Prices of key Mexican assets are beginning to look very attractive," he said.

Other analysts believe share prices will have to fall further before foreigners can be tempted back. Average price/earnings ratios, at 17, are still thought to be high compared to other emerging markets, particularly when the perceived risks which remain attached to investing in Mexico are taken into account.

Lima SE index up by 7.1%

By Sally Bowen in Lima

A resounding re-election victory for president Alberto Fujimori spurred the Lima Stock Exchange index to a 7.1 per cent rise on April 10, the first day's trading following his landslide win.

Both volume and turnover figures were records.

Anticipating a first-round Fujimori victory, local buyers had already pushed the index up by almost 15 per cent in the five trading days preceding the April 9 ballot.

By the time the general share index had closed at 1,283on April 12, prior to the fourday Holy Week holiday, it had recovered almost all the "tequila effect" losses.

Unofficial figures indicate the net outflow of foreign capital from the Lima exchange was only $30m in February.

Trading levels, however, plunged to under $5m a day and small scale selling by nervous, or needy, locals was enough to keep the index on the slide.

By March, however, investors were taking positions once again. Foreign capital inflows were positive by around $20m for the month.

Better economic fundamentals make a Mexican-style crisis unlikely in Peru, say market watchers.

News round-up

■ Tunisia

Tunisia might allow resident banks to have foreign exchange operations on the international market, a Tunisia Central Bank official has said.

Currently only Tunis-based offshore banks are allowed to have forex operations with foreign banks.

■ Cairo

An offer for shares in Extracted Oils and Derivatives, part of Egypt's privatisation programme, has been 11 times subscribed last week. The level of demand was the highest for any of the country's recent privatisation offers, all of which have seen demand outstrip supply.

The shares were offered at E£45 ($13).

■ Templeton

Templeton Emerging Markets Fund plans to launch an equity fund worth more than $150m dedicated to Russia and two funds worth more than $130m dedicated to India.

Mr Mark Mobius, president of the fund, said that in the case of India one, worth at least $100m, would be an offshore fund listed in the US. The other would be a $30m mutual fund launched in India. The Russia fund would be launched in Moscow, perhaps by late summer, and would invest in equities of Russian companies. Templeton has recently launched a $800m fund for China.

■ Taiwan

A group of 23 domestic and foreign financial institutions has set up Taiwan's first futures association. "The volatility in global economic markets increases day by day, but as long as people have the concept of the risks, they can accomplish the aim of avoiding risks and managing their finance through futures markets," the statement said.

■ Mexico

The stock exchange will start trading options on 10 domestic stocks in the second half of the year and is planning to start a futures and options market.

● *Edited by John Pitt. Further coverage of emerging markets appears daily on the World Stock Markets page.*

Baring Securities emerging markets indices

Index	13/4/95	Week on week movement Actual	Week on week movement Percent	Month on month movement Actual	Month on month movement Percent	Year to date movement Actual	Year to date movement Percent
World (353)	134.32	-2.77	-2.02	+10.32	+8.33	-23.71	-15.00
Latin America							
Argentina (23)	78.43	-3.09	-3.94	+10.24	+15.70	-10.68	-12.40
Brazil (23)	141.50	-11.29	-7.39	+10.64	+8.13	-67.87	-32.42
Chile (13)	206.03	-0.28	-0.13	+25.94	+14.40	-5.54	-2.62
Mexico (25)	61.44	-3.16	-4.89	+6.91	+12.68	-36.19	-37.07
Peru(16)	849.85	+32.52	+3.98	+239.98	+39.35	-1.18	-0.14
Latin America (100)	102.16	-4.79	-4.48	+11.59	+12.79	-36.61	-26.38
Europe							
Greece (18)	88.47	-3.10	-3.38	+2.99	+3.50	+1.47	+1.69
Portugal (23)	126.95	-0.25	-0.20	+5.06	+4.15	+10.67	+9.18
Turkey (22)	119.27	+3.98	+3.45	+36.39	+43.90	+43.16	+56.70
Europe (96)	112.56	-1.74	-1.52	+11.59	+11.48	+14.86	+15.21
Asia							
Indonesia (28)	119.08	-4.11	-3.34	-1.84	-1.52	-14.61	-10.93
Korea (24)	132.63	-2.44	-1.80	-5.77	-4.17	-7.26	-5.19
Malaysia (22)	217.61	+2.57	+1.19	+11.82	+5.74	+6.75	+3.20
Pakistan (15)	85.13	-2.18	-2.49	-3.28	-3.71	-21.07	-19.84
Phillippines (12)	246.52	+2.76	+1.13	+26.77	+12.18	-35.61	-12.62
Thailand (24)	233.51	+3.81	+1.66	+14.10	+6.43	-18.13	-7.20
Taiwan (32)	169.02	-0.92	-0.54	+0.89	+0.53	-15.13	-8.21
Asia (157)	201.02	+0.50	+0.25	+6.93	+3.57	-9.60	-4.56

All indices in $ terms, January 7th 1992=100. Source: Baring Securities

CURRENCIES

Philip Gawith

Dollar still looks vulnerable

The dollar looks set for further adversity this week following its failure to respond positively to the cut in Japanese interest rates and the weekend meeting of the Asia-Pacific Economic Co-operation conference.

The Bank of Japan cut its official discount rate last Friday from 1.75 per cent to 1 per cent. The impact of the move was undermined by the rather tepid economic stimulus package announced in tandem.

The net effect is that with Japan and Germany both having cut interest rates in recent weeks, and the US Federal Reserve evidently content to leave policy on hold, the dollar appears to have received all the support from monetary policy that it is likely to get.

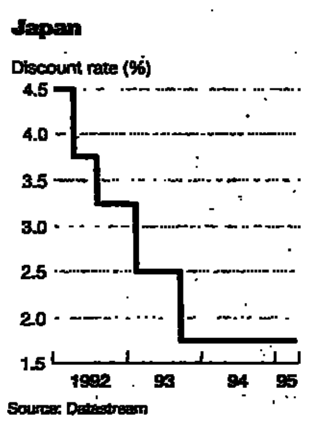
Weekend talks at the APEC summit between Mr Robert Rubin, the US treasury secretary, and Mr Masayoshi Takemura, the Japanese finance minister, also failed to produce any convincing show of support for the dollar. Their agreement that the dollar has fallen too far does not, of itself, constitute a reason to buy dollars.

Against that background, and with the market still bearish, the odds must favour the dollar sinking lower again, perhaps testing Y80.

Confirmation that the sentiment towards the dollar remains pessimistic comes from the latest chief dealer survey conducted by the bi-monthly Foreign Exchange Letter. Of the 43 chief dealers who responded to the survey, conducted at the end of March, 70 per cent predicted that the dollar would trade below Y85 during the second quarter.

A slightly smaller portion of the sample see the dollar staying below DM1.35. More than 40 per cent of respondents see sterling and the lira falling to new lows against the D-Mark, below DM2.15 and L1,275.

The focus this week for the dollar is likely to be trade; the release tomorrow of the February trade figures, and the US-Japan talks on cars and car parts in Washington, both have the potential to move markets.



Source: Datastream

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Thursday, April 13, 1995. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	5556.04	3463.03	2492.82	4144.36
Albania	(Lek)	161.196	100.490	72.3366	120.261
Algeria	(Dinar)	71.5107	44.5800	32.0904	53.3509
Andorra	(French Fr)	7.7748	4.8470	3.4891	5.8006
	(Sp Peseta)	197.346	123.030	88.5618	147.236
Angola	(New Kwanza)	1006751.7	627612.0	451776.4	751091.4
Antigua	(E Carr $)	4.3311	2.7000	1.9436	3.2312
Argentina	(Peso)	1.6058	1.0008	0.7204	1.1977
Armenia	(Dram)	652.7240	406.910	292.910	486.969
Aruba	(Florin)	2.8714	1.7900	1.2885	2.1422
Australia	(Aus $)	2.1687	1.3519	0.9731	1.6179
Austria	(Schilling)	15.6815	9.7762	7.0373	11.6996
Azerbaijan	(Manat)	7050.61o	4395.00	3163.69	5259.68
Azores	(Port Escudo)	234.352	146.100	105.169	174.844
Bahamas	(Bahama $)	1.6041	1	0.7198	1.1967
Bahrain	(Dinar)	0.6047	0.3770	0.2714	0.4512
Balearic Is	(Sp Peseta)	197.346	123.030	88.5618	147.236
Bangladesh	(Taka)	63.7810	39.7600	28.6196	47.5706
Barbados	(Barb $)	3.2263	2.0113	1.4478	2.4070
Belarus	(Rouble)	18447.1o	11500.0	8278.15	13762.6
Belgium	(Belg Fr)	45.8229	28.5670	20.5636	34.1874
Belize	(B $)	3.2082	2.0000	1.4397	2.3935
Benin	(CFA Fr)	777.480	484.700	348.906	580.062
Bermuda	(Bermudian $)	1.6041	1	0.7198	1.1967
Bhutan	(Ngultrum)	50.2950	31.3550	22.5705	37.5238
Bolivia	(Boliviano)	7.6674	4.7800	3.4408	5.7204
Botswana	(Pula)	4.3648	2.7211	1.9587	3.2564
Brazil	(Real)	1.4557	0.9075	0.6533	1.0860
Brunei	(Brunei $)	2.2389	1.3945	1.0038	1.6689
Bulgaria	(Lev)	105.482	65.7640	47.3395	78.7027
Burkina Faso	(CFA Fr)	777.480	484.700	348.906	580.062
Burma	(Kyat)	8.5930	5.3569	3.8561	6.4109
Burundi	(Burundi Fr)	370.547	231.000	166.283	276.446
Cambodia	(Riel)	3512.98	2190.00	1576.45	2620.87
Cameroon	(CFA Fr)	777.480	484.700	348.906	580.062
Canada	(Canadian $)	2.2080	1.3765	0.9900	1.6459
Canary Is	(Sp Peseta)	197.346	123.030	88.5618	147.236
Cp. Verde	(CV Escudo)	133.082	82.9700	59.7250	99.2939
Cayman Is	(CI $)	1.3265	0.8262	0.5962	0.9912
Cent. Afr. Rep	(CFA Fr)	777.480	484.700	348.906	580.062
Chad	(CFA Fr)	777.480	484.700	348.906	580.062
Chile	(Chilean Peso)	632.637	394.400	283.904	471.996
China	(Yuan)	13.5139	8.4242	6.0641	10.0816
Colombia	(Col Peso)	1389.11	866.000	623.380	1036.36
Comoros	(Fr)	585.891	365.225	262.905	437.084

[illegible]

Special Drawing Rights April 12, 1995 Utd Kingdom £0.984575 Utd States $1.58577 Germany DM2.19831 Japan Y130.595 European Currency Unit Rates April 13, 1995 Utd Kingdom £0.831945 Utd States $1.32981 Germany DM1.88013 Japan Y111.156

Abbreviations: (a) Free rate; (m) Market rate; (o) Official rate; (p) Parallel rate (t) Tourist rate (u) Currency fixed against the US Dollar (v) Floating rate ; & Russia applies to states in the Rouble Zone. (1) Yugoslav Dinar rate n/a. Some data derived from THE WM/REUTERS CLOSING SPOT RATES & Bank of America, Economics Department, London Trading Centre. Enquiries: 0171 634 4360/5.

To obtain a copy of this table by Fax from the Cityline service dial 0891 437001. Calls charged at 39p/minute cheap rate, 49p/minute at all other times

Thursday, April 13, 1995

NOTICE OF INTEREST RATE

To the Holders of Banco Central do Brasil New Money Bonds Due in 1999

In accordance with the provisions of the Bonds, notice is hereby given that the above Bonds will bear interest for the 181 day Interest Period from April 18, 1995 to October 16, 1995 at a rate per annum of 7¹/₄ as calculated in accordance with the terms of the above Bonds.

BANCO CENTRAL DO BRASIL Issuer

KAUFHOF

Kaufhof Finance B.V.

Can$ 100,000,000 Collared Floating Rate Notes 1993/2003

(Issued under the DM 1 billion Multi-Currency Euro Medium Term Note Programme of Kaufhof Holding AG) Tranche No: L1

The Rate of Interest applicable to the Interest Period from April 18, 1995 to July 16, 1995, inclusively, was determined to be 7.91375 per cent per annum. Therefore, on July 17 1995, interest per Note of Can$ 1,000 principal amount in the amount of Can$ 19.51 and interest per Note of Can$ 10,000 principal amount in the amount of Can$195.13 is due.

Frankfurt am Main, April 1995

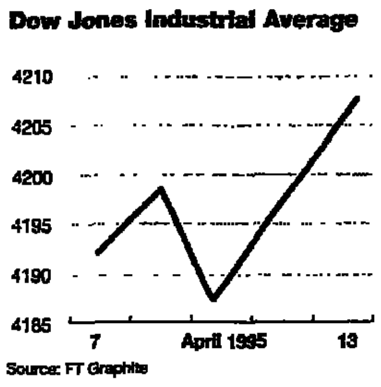
Dresdner Bank Aktiengesellschaft Calculation and Principal Paying Agent

EQUITY MARKETS: This Week

NEW YORK — Lisa Bransten

Economic slowing keeps party going

Dow Jones Industrial Average



Source: FT Graphite

Festivities begun over the three-day weekend may last the week as investors play catch-up with economic data released on Friday and react to a new round of strong first-quarter earnings reports.

The market opened strongly yesterday morning as traders celebrated a new sign of economic slowing in the form of a 0.3 per cent drop in industrial production for March.

The news validated the strengthening view that the Federal Reserve has finished, or nearly finished, tightening monetary policy.

That sentiment, combined with a rising tide of companies reporting stronger-than-expected earnings reports, should help Wall Street retain its bullish tone for the rest of the week.

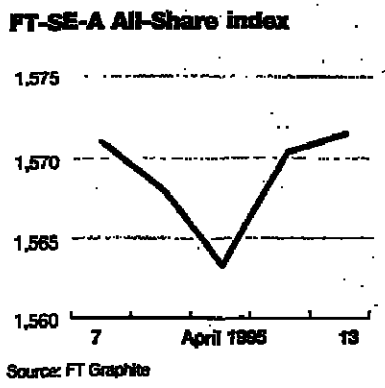
There could be a bit of bumpiness on the market if data released this week show a bit of a rebound from recent weakness. Economists are divided about whether March housing starts figures to be released today will be weaker or stronger than the declines posted in the first two months of the year.

Particularly troubling could be a rebound in the data on business activity for April collected by the Federal Reserve Bank of Philadelphia. Mr Bill Sharp of securities house Smith Barney believes the index will edge higher, to 5.0, in April, above the 3.3 recorded in March but well below the 30.4 peak last October.

LONDON — Terry Byland

Base rates threaten quiet confidence

FT-SE-A All-Share index



Source: FT Graphite

It would be a pity if the domestic retail price data, published on the eve of the Easter break, upset the confident mood among UK market analysts. The desultory trading performance in the pre-Easter week can be discounted: fund managers and marketmakers alike were simply not interested in making waves while they awaited news from Tokyo on interest rate and currency proposals.

Beneath this lethargy, traders sounded confident. The dollar's problems were being tackled. Valuations of the UK equity market continued to signal that a rally was "long overdue", according to BZW.

Lack of investment cash was a problem, with BZW predicting that institutional cashflow may show a further fall to around £41bn in 1995, against its original forecasts of £51bn. But the £6bn-plus cash from Glaxo's acquisition of Wellcome would help that problem. That prospect depends on the near-term outlook for interest rates. The March retail price numbers were stronger than the market liked, and a hike in base rates is now expected sooner rather than later: May 5, just after the local elections, has been pencilled in.

The market may have picked the wrong date, but that will not prevent base rate apprehension from holding share prices back in post-Easter trading. This does not offer it much comfort, when today it faces implications of the Japanese package.

OTHER MARKETS

JOHANNESBURG

The market is focusing on the March gold quarterlies this week with heavyweights Anglo-American and Gencor, together with the smaller group Randgold, all releasing their figures for the three months to the end of March, *writes Mark Suzman.*

However, unlike the position at this time last year, when profit levels were still relatively buoyant, the big question on shareholders' minds is how bad the drop will be. Squeezed between lower productivity and a depressed gold price, Gold Fields of South Africa reported dismal results last week, and Anglo and Gengold are expected to be little different.

Mines in both groups have suffered from industrial unrest during the reporting period, and the situation has been exacerbated by extra public holidays – all of this will probably have resulted in significantly reduced production.

"Its unlikely to be good news for the gold index," says one local broker. "Short of a spike in the gold price, things are looking pretty bad."

Another is blunter: "We could be looking at a train wreck." The only bright spot is that the poor results are almost certain to put extra pressure on the government and unions to allow blasting on a Sunday.

FRANKFURT

The strength of the D-Mark against the dollar during the first quarter of 1995 has been having a significant effect on the German equity market, although underperformance of the Dax index so far this year has been relatively mild, *writes John Pitt.*

With most brokers taking an underweight position in the market, much depends on what happens to the D-Mark over the next few months as to whether corporate earnings will be good, bad or indifferent.

Should the currency not weaken, a scenario many analysts think unlikely, then there would undoubtedly be a loss of competitiveness among the country's big companies. A further round of restructuring, including staff cuts, could then follow, making an impact on earnings for 1995 and probably 1996 as well.

In a quiet week for corporate news, Daimler-Benz holds its annual news conference and Henkel, its balance sheet press conference tomorrow.

ZURICH

Swissair holds its annual press conference on the lower-than-expected 1994 results on Thursday and, for the first time, the meeting will be conducted in English in the hope of raising the company's profile among foreign analysts, and ultimately foreign investors. Mr Frederick Hasslauer at Bank Sal Oppenheim in Zurich is looking for more information about the airline's strategy in non-core businesses and its plans to turn around flight operations, a heavy lossmaker in recent years. Analysts will also be hoping for more information about Swissair's planned acquisition of Sabena, the Belgian airline. Swissair struggled to a SFr23m ($20m) consolidated net profit last year, in the face of the strength of the Swiss franc and weakness in ticket prices.

Meanwhile, first-quarter sales figures are also expected from two of the big three pharmaceuticals groups on Thursday, but these are unlikely to be enough to wake a generally sleepy market. Mrs Birgit Kulhoff at UBS expects the strength of the Swiss franc since the start of the year against the dollar, yen and the European currencies will depress sales figures by about 8 per cent. Thus, a 7 per cent rise in foreign currency sales by Ciba will translate as a 1 per cent decline in Swiss franc terms. Sandoz, benefiting from consolidation of the Gerber acquisition, is likely to see a 19 per cent rise in foreign currency sales, which will translate to a 12 per cent rise in Swiss franc terms.

MILAN

News of last week's draft accord between the government and trades unions on pension reform gave a welcome boost to insurance and banking stocks, on expectations that both sectors would receive a substantial boost from the widespread introduction of private pension schemes. Optimists may be hoping that at least some of the momentum will be maintained in the coming week; realists point to a virtual absence of liquidity, with domestic investors already fully invested and foreigners deterred by currency considerations. Instead, a quiet week is in prospect in the run-up to next Sunday's all-important regional elections, which could give an indication of the future political landscape.

Mr Paolo Gambarini at Smith New Court, however, expects an inconclusive outcome, with both the Berlusconi coalition and the Left each taking 45 per cent of the vote and the remaining 10 per cent going to the hard left parties. That would suggest the country will have to wait until October before it can expect to go to the polls in a general election.

Meanwhile, the preliminary estimate of consumer prices for April will be released on Friday. It is expected to show further increase in the headline annual inflation rate, to between 5.1 and 5.2 per cent, reflecting recent indirect tax increases.

TOKYO

The market will be keeping a close watch for signs that Friday's package of stimulus measures, including an interest rate cut, is having an effect on the yen's strength. Unless the effect is marked, most observers expect the market to weaken further, *writes Bethan Hutton.*

Few important economic statistics are due, so it is likely the currency markets will continue to be the main factor in market movements.

Compiled by Michael Morgan

Global share offers

Repsol deal augurs well for Portugal Telecom

The international equity market desperately needs some sizzling new issues to help it break out of its deep depression. Could the forthcoming privatisation of Portugal Telecom do the trick?

The investment banks arranging the international tranche of the Portugal Telecom sale – Merrill Lynch, UBS and S.G. Warburg – can hardly believe their luck. After several soul-destroying months when offerings were unceremoniously withdrawn or scaled down because of poor investor demand, the market finally saw a successful deal last week. What's more, it was Spanish.

The Spanish government's sale of shares in the the oil and gas group Repsol has not only brought the Iberian peninsula to the attention of international investors, it has also provided a positive backdrop for the Portuguese government's first privatisation deal since its badly-handled sale of shares in Cimpor, the country's largest cement producer.

Cimpor was a flop mainly because of the decision to fix the issue price of the shares two months before they were floated. In the interim, the Lisbon stock market fell 15 per cent, which caused the shares to perform badly in the secondary market. As a result, the government's plans to sell a second tranche have been delayed until next year.

With Portugal Telecom, however, the government has adopted international methods, from investor roadshows to bookbuilding, to ensure a successful stock market debut for the company. Next month, it plans to sell between 25 and 30 per cent of Portugal Telecom, which was created last June through the merger of three state-run telecommunications companies.

The sale – the largest to date by a Portuguese company – is expected to raise between $700m and $1.2bn equivalent, depending on market conditions. The government hopes placement of the shares will be divided equally between domestic and international investors. It has launched a high-profile advertising campaign to encourage the Portuguese to move their savings out of bonds or time deposits into Portugal Telecom shares.

Equities are not widely held in Portugal, and a quick look at the recent history of the stock market explains why. Only 20 years ago the market was closed for three years after the 1974 revolution. Even after it re-opened, there was hardly any trading until 1986 when Portugal entered the European Union and the government introduced fiscal incentives to encourage privately-owned companies to seek listings.

The lack of an equity culture in Portugal – only 10 per cent of pension fund assets are in shares – means the government will probably have to rely on international investors to get the deal away.

The task facing the lead managers of the international tranche is to convince clients that Portugal is a viable investment alternative to Spain. No doubt, the country's sound economic fundamentals and political stability will be highlighted as the main attractions.

Portugal is enjoying its lowest inflation rate for 40 years and its unemployment rate is about one third of Spain's. The October general elections are unlikely to cause much uncertainty in the stock market, as the two main political parties share similar views on economic liberalisation and European monetary union.

Currently, the main foreign investors in Portuguese stocks are emerging market funds or dedicated country funds. However, mainstream international investors have been reluctant to get involved, as they believe Portugal still has to make the transition from an emerging market to a fully-fledged European stock market.

Until recently, foreign fund managers did not need to invest in Portugal because it was not included in any of the main indices against which their equity funds are tracked. However, last month Portugal was given a 0.4 per cent weighting in the MSCI's wider European index of 18 countries, and it should eventually be included in other leading indices.

Lack of liquidity and of choice in the Portuguese stock market have also hindered foreign investment. The average daily volume is between $5m and $10m equivalent, and only 30 per cent of the stock market, which is capitalised at $18bn, can be freely traded.

Analysts believe the stock market will probably grow by another $10bn-$12bn over the next three to four years as most state-owned companies are privatised. In the near term, the flotation of Portugal Telecom will add variety to the market, which is dominated by bank stocks.

Portugal's under-developed economy is one of the main attractions for investing in Portugal Telecom, analysts say. For example, telephone density in the country is 35 lines per 100 households, below the European Union average of 45 lines. The gap is expected to narrow over the next two years.

However, analysts also warn that Portugal Telecom's growth potential should be balanced against the pressure on profit margins likely to emerge in the coming years. When the domestic telecom market is opened to competition in or before 2003, Portugal Telecom will be forced to lower tariffs, which are judged high by international standards.

Bankers involved in the deal stress that the shares must be realistically priced so that they can perform well in the secondary market. A successful offering would also further improve sentiment in the primary equity market.

The Portuguese government would do well to keep this in mind when it sets a price floor for shares in Portugal Telecom later this month.

If it is too ambitious, the offering could well flounder, because in recent months international investors have made it clear that they aren't prepared to pay up. A high price would also spoil the government's chances of making an early return to the market.

Antonia Sharpe

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ **YESTERDAY**
General Electric $0.0575
Quaker Oats $0.285
St. Paul Co's $0.40
STB Fin Cayman Sb Fxd/FRN A '03 $3437.5
TECO Elect & Mach 2.75% Bd '04 $114.58

■ **TODAY**
Allied Lon Props 5¾% Cv Pf 2.875
Boddington 5.69p
BP Fin Australia 8⅜% Bd '98 $418.75
Brad & Bingley Bldg Scty FRN '99 £163.61
BZW Conv Inv Tst Eq Ind Un Ln '96-2002 1.89p
Conversion 9½% '05 £4.75
Du Pont 8½% Nts '96 $85.0
Echlin $0.205
Edinburgh Fd Mgrs 16p
Edinburgh Inc Tst 1p
Ericsson (LM) 7¾% Bd '97 $77.50
Fluor $0.15
Forte FRN '98 £1827.40
Hanson 10% Bd '08 £500.0
Hydro-Quebec 10.50% Db. HX July 25 '01 C$52.50
Do 11.25% Db. Ser HV Apl 17 '01 £112.50
Do FRN '99 $15.80
ICI 9¾% Bd '05 £97.50
Do 10% Bd '03 £100.0
Jasmine B FR Secd Nts '03 Y1658437.0
JDC FRN '96 $316.44
Do FRN '97 $316.44
Kobe Steel 2.65% Bd '98 Y265000.0
Do 3% Bd '99 Y300000.0
Do 3.2% Bd 2000 Y320000.0
MEPC 9⅞% Bd '04 £98.75
Do 10¼% '03 £102.50
Nat West Bank 9% Pf Ser A 4.5p
Do Dllr Pf Ser A $0.532
Do Dllr Pf Ser B $0.4375
Nissho Iwai 6.4% Bd '97 Y640000.0
Norway 7¼% Nts '97 $362.50
Nova Scotia (Prov) 11¾% Ln '19 £5.875
Sanwa Aust Fin Fltg/Fxd Rate Nts '04 $3242.08
Scottish Am Inv Eq Ind Un Ln '04 1.89p
Shandwick 0.87p
SmithKline Beecham 3.9p
SmithKline Beecham /SmithKl Beck Units $0.07746
Wellington Underwriting 0.6p
Wills 0.115p

■ **TOMORROW**
BP Dvl Australia 11¼% Bd '01 £112.50
Dixons 11% Bd Apl '95 £110.0
High-Point 0.5p
Lonrho Fin FRN '97 $185.94
Mersey Docks & Harbour 7.2p
Metal Bulletin 8p
Redrow Grp 1.05p
Wells Fargo FR Sb Nts July '97 $160.94

■ **THURSDAY APRIL 20**
Amstrad 1p
Asda 10⅞% Bd '10 £1087.50
Bayer AG DM13
Budgens 5% Cv Un Ln '03 £2.50
BZW Conv Inv Tst 1.5p
Continental Foods 1p
Dixons Fin FRN '97 $3317.71
Euro Economic Community 10⅝% Nts '95 ECU106.25
Genl Motors Acc Nts Mar 20 2000 £41.67
Glaxo $0.39
Islington 11.9% Red '17 £5.95
Leslie Wise 2.5p
Linx Printing Tech 0.7p
Lon & Overseas Freighters $0.0025
Northern Rock Bldg Scty FRN '96 £167.88
Serco Group 2.75p
Yokohama Fin Cayman Sb FRN '05 Y904166.0

■ **FRIDAY APRIL 21**
Alexander Hldgs 0.7p
Do 'A (Res Vtg) 0.7p
BBL Intl FRN '99 $148.51
Close Bros 2.9p
Commonwealth Bk Aust Und Cap Nts $297.01
Crest Nicholson 1.4p
Eurocamp 6.9p
For & Colonial Enterprise Tst 0.8p
Hall Eng 3.775p
Henderson EuroTrust 1.5p
Kershaw (A) 120.0p
Latin Am Extra Yield $0.18
Malvern UK Index Tst 2.4p
Merivale Moore 1.25p
Murray Inc Tst 2.42p
Pacific Assets Tst 1.3p
Petaling Tin Bhd $0.03
TR Pacific Inv Tst 0.175p
TSB Group 10⅝% Sb Ln '08 5.3125p
Treasury IL 4⅜% '04 £2.3343
Walker (Thomas) 0.18p

UK COMPANIES

■ **TODAY**
COMPANY MEETINGS:
Dares Estates, The Great Eastern Hotel, Liverpool Street, E.C., 12.00
Group Development Capital Trust, Temple Court, 11, Queen Victoria Street, E.C., 12.00
Regina, 2a, Alexander Grove, Finchley, N., 11.30
Thornton Pan-European Trust, Swan House, 33, Queen Street, E.C., 12.00
BOARD MEETINGS:
Finals:
Arlen
Interims:
Five Oaks Invs
Regina
Upton & Southern

■ **TOMORROW**
COMPANY MEETINGS:
Anglo & Overseas Tst, 23, Great Winchester Street, E.C., 11.30
Burmah Castrol, Balmoral Hotel, Princes Street, Edinburgh, 11.30
Crockfords, Smith New Court, Farringdon Road, E.C., 12.00
Laporte, Painters' Hall, 9, Little Trinity Lane, E.C. 12.00
Pacific Assets Trust, One Charlotte Square, Edinburgh, 12.30
Provident Financial, Norfolk Gardens Hotel, Bradford, 12.00
Reed International, Four Seasons Hotel, Hamilton Place, W., 11.30
Telegraph, One Canada Square, Canary Wharf, E., 11.00
BOARD MEETINGS:
Finals:
Boot (Henry)
IFG Grp
Oriel Grp
River & Mercantile Geared Cap
Smurfit (Jefferson)
Toye
Interims:

■ **THURSDAY APRIL 20**
COMPANY MEETINGS:
Crest Nicholson, Runnymede Hotel, Windsor Road, Egham, Surrey, 12.00
Hall Eng, Telford Moat House, Forgegate, Telford Centre, Telford, 10.30
Leslie Wise, 33, Great Portland Street, W., 11.00
Malvern UK Index Tst, Hobart House, Grosvenor Place, W., 12.00
Royal Insurance, Chartered Insurance Institute, Aldermanbury, E.C., 11.30
St. Andrews Trust, Saltire Court, 20, Castle Terrace, Edinburgh, 12.30
Sedgwick, The Summit Centre, E., 12.00
Singapore Para Rubber Estates, 3, Clanricarde Gardens, Tunbridge Wells, Kent, 3.00
Travis Perkins, Lords Cricket Ground, St. Johns Woods, N.W., 12.00
Virtuality, Stakis Leicester Hotel, Braunstone, Leicester, 2.00
Wickes, *19-21,* Mortimer Street, W., 11.00
BOARD MEETINGS:
Finals:
Brown & Jackson
Computerised Fin Solutions
Eyecare Products
Gowrings
Havelock Europa
House of Fraser
Ibstock
Jackson Grp
Linton Park
Mirror Grp
Tullow Oil
Interims:
Albert Fisher
Centregold
WEW Grp

■ **FRIDAY APRIL 21**
COMPANY MEETINGS:
Alliance Tst, Meadow House, 64, Reform Street, Dundee, 12.30
BBA Grp, Queen Elizabeth II Conference Centre, Westminster, S.W., 11.30
Baillie Gifford Shin Nippon, 1, Rutland Court, Edinburgh, 12.30
Bedford (Wm), The Merchants Hall, 46, Essex Road, Islington, N., 4.00
Brent Intl, Sheraton Skyline Hotel, Bath Road, Hayes, 10.30
Britton Grp, The Grosvenor Hotel, Buckingham Palace Road, Victoria, S.W., 10.15
Gartmore Emerging Pacific Inv Tst, Gartmore House, 16-18, Monument Street, E.C., 12.30
Relyon Grp, Station Mills, Wellington, Somerset, 12.00
Seafield Resources, RAC Club, Pall Mall, S.W., 11.30
TDS Circuits, Whitebirk Estate, Blackburn, Lancashire, 12.00
Transport Development Grp, Church House Conference Centre, Westminster, S.W., 12.00
BOARD MEETINGS:
Finals:
Bullers
How Grp
North Atlantic Small Co's Tst
Slingsby (HC)
Interims:
Lowland Inv

■ **SATURDAY APRIL 22**
COMPANY MEETINGS:
Victualic, The Weatherby Centre, Biggleswade, Bedfordshire, 11.00

Company meetings are annual general meetings unless otherwise stated.
Please note: Reports and accounts are not normally available until six weeks after the board meeting to approve the preliminary results.

NOTICE
TO SHAREHOLDERS IN STORA KOPPARBERGS BERGSLAGS AKTIEBOLAG

NOTICE IS HEREBY GIVEN THAT THE ANNUAL GENERAL MEETING OF THE COMPANY WILL BE HELD ON TUESDAY, MAY 9, 1995, AT 4 P.M. AT THE LUGNET SPORTS CENTER IN FALUN, SWEDEN.

NOTIFICATION

To be entitled to participate in the Meeting, shareholders must:
- be recorded in the Company's share register no later than Friday, April 28, 1995
- notify that they intend to participate in the Meeting no later than 4.30 p.m., Thursday, May 4, 1995

Notification of participation can be made by telephone: +46 (0) 23-78 25 61, or 78 21 72, by telefax +46 (0) 23-78 27 44, or by mail to STORA, S-791 80 Falun, Sweden.

The STORA share register is maintained by the Swedish Securities Register Center (VPC AB). Shareholders in STORA are either registered as owners or through a trustee. Only shareholders registered as owners are entitled to participate in the Meeting.

Shareholders whose shares are deposited with the trustee department of a bank, or with a brokerage firm, are entitled to register the shares in the name of the trustee. However, to be entitled to participate in the Meeting, shareholders whose shares are held in the name of a trustee must register the shares in their own name. To ensure that shares can be registered in the name of the owner in time, shareholders whose shares are held in the name of a trustee, bank or broker, must request to have them registered in their own names prior to April 28, 1995.

AGENDA

The matters addressed at the Meeting will conform to the Company's Articles of Association and the Swedish Companies Act. In addition, it has been proposed that the following changes be made in the Company's Articles of Association:

1. The Company shall be a public company (publ). (Change in §1).
2. The Company shall implement a 5:1 share split, requiring changes in §5 and §6.

In addition, a shareholder has raised a point for discussion regarding the transportation of wood on the Fryksdalsbanan.

It is proposed by shareholders representing approximately 35% of the total voting rights that the Board be comprised of the following (all re-elections):

Bo Berggren	Palle Marcus
Jacob Wallenberg	Håkan Mogren
Claes Dahlbäck	Björn Svedberg
Lars Eggertz	Sven Söderberg
Lars-Åke Helgesson	Tom Wachtmeister

The current Board member, Niclas Silfverschiöld, has declined re-election.

The following Auditors have been proposed (all re-elections):

Caj Nackstad, with Sten Lundvall as personal deputy
Olof Herolf, with Lars G. Eklund as personal deputy.

DIVIDEND PROPOSAL

The Board of Directors proposes that a dividend of SEK 10 per share (prior to the split) be paid for the 1994 fiscal year and that May 12, 1995 be approved as the record date. If the Annual General Meeting approves the above proposal, it is expected that dividends can be distributed by the Swedish Securities Register Center (VPC AB) on May 19, 1995.

Falun, Sweden,
April, 1995
Board of Directors

STORA

COMMODITIES PRICES

BASE METALS

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Apr	136.25	-0.65	137.25	136.00	1,134	388
May	135.80	+0.30	136.75	134.70	20,890	1,306
Jun	134.25	+0.30	134.80	133.90	981	13
Jul	132.70	+0.45	133.60	131.80	10,827	3,902
Aug	131.00	+0.60	-	-	416	16
Sep	129.20	+0.45	130.00	128.50	3,748	188
Total					44,851	5,984

PRECIOUS METALS

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Apr	394.1	+4.1	394.0	392.0	288	23
May	395.2	+4.1	-	-	458	12
Jun	396.5	+4.1	397.4	393.7	94,911	18,907
Aug	399.9	+4.2	401.0	397.5	23,058	889
Oct	403.3	+4.2	403.5	401.8	6,838	25
Dec	406.9	+4.2	408.0	405.2	15,910	705
Total					189,064	22,063

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

Apr	457.3	+6.2	459.0	459.0	189	2
Jul	458.8	+6.2	459.9	454.5	19,971	1,413
Oct	461.0	+6.2	459.5	459.5	3,445	64
Jan	463.5	+6.2	460.0	460.0	1,499	1
Total					25,116	1,480

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

Jun	176.40	+2.25	178.50	174.75	6,304	802
Sep	178.15	+2.25	177.75	177.50	943	20
Dec	179.40	+2.25	179.50	179.50	181	5
Total					7,428	827

■ SILVER COMEX (100 Troy oz.; $/troy oz.)

Apr	571.9	+34.2	568.0	554.0	23	20
May	572.5	+34.3	576.0	554.0	51,823	15,037
Jul	578.9	+34.8	582.0	582.5	23,967	2,216
Sep	584.3	+34.8	585.0	568.0	9,439	2,087
Dec	593.1	+34.8	597.0	578.0	15,019	2,271
Jan	596.1	+34.8	-	-	15	-
Total					125,891	21,675

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
May	19.90	+0.75	20.00	19.43	49,957	61,077
Jun	19.87	+0.81	19.97	19.36	93,470	54,206
Jul	19.60	+0.72	19.69	19.18	49,214	21,738
Aug	19.30	+0.63	19.40	19.03	23,556	5,409
Sep	19.13	+0.64	19.14	18.85	17,369	3,837
Oct	18.92	+0.54	18.95	18.72	12,767	2,018
Total					364,368	157,889

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
May	50.20	+1.41	50.60	49.45	28,829	17,744
Jun	50.40	+1.52	50.65	49.55	23,915	10,399
Jul	50.60	+1.02	50.95	50.10	19,273	3,098
Aug	50.95	+1.37	51.05	50.50	8,364	832
Sep	51.45	-	-	-	5,022	319
Oct	52.55	+1.42	52.55	52.25	4,198	349
Total					122,309	33,670

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
May	1.655	+0.036	1.665	1.625	23,536	7,998
Jun	1.738	+0.026	1.745	1.720	20,632	5,580
Jul	1.775	+0.030	1.780	1.750	17,170	3,920
Aug	1.780	+0.029	1.780	1.780	14,255	515
Sep	1.780	+0.023	1.780	1.770	14,114	1,278
Oct	1.795	+0.014	1.800	1.790	10,270	431
Total					153,139	21,309

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
May	62.40	+1.96	62.75	61.25	30,274	17,576
Jun	60.90	+1.93	61.20	59.55	21,695	8,762
Jul	59.60	+1.70	59.95	58.90	11,835	3,556
Aug	58.50	+1.55	58.90	58.10	5,802	1,742
Sep	57.50	+1.80	57.50	57.10	3,017	173
Oct	55.80	+1.55	55.80	55.40	1,873	26
Total					76,795	32,172

GRAINS AND OIL SEEDS

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
May	350/4	-3/0	355/0	349/0	12,410	3,704
Jul	351/6	-3/2	355/6	350/6	35,886	9,311
Sep	357/2	-2/4	361/6	356/4	5,359	1,043
Dec	369/6	-3/2	374/0	368/4	4,891	1,007
Mar	373/0	-5/0	375/4	373/0	313	36
Jul	347/0	+3/0	349/0	344/0	40	3
Total					58,899	15,104

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

May	245/0	-1/6	247/0	244/4	77,680	39,041
Jul	251/2	-1/6	253/6	251/0	123,626	55,188
Sep	255/4	-1/6	257/6	255/2	23,807	4,595
Dec	259/4	-1/4	262/0	259/0	114,798	30,653
Mar	265/6	-1/6	268/2	265/6	11,564	484
May	270/4	-1/4	272/0	270/2	761	32
Total					383,018	130,867

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

May	574/4	-1/0	577/4	573/2	30,517	12,479
Jul	586/0	-1/0	589/2	584/4	59,427	31,152
Aug	590/0	-1/6	594/0	589/4	8,100	1,198
Sep	592/2	-2/4	596/6	592/0	4,484	775
Nov	599/0	-2/6	603/6	598/0	35,984	11,894
Jan	606/4	-3/4	611/0	606/4	2,510	182
Total					144,881	57,909

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

May	25.65	-0.01	25.80	25.52	22,584	9,051
Jul	25.31	-0.01	25.40	25.21	29,400	17,123
Aug	25.27	-0.03	25.35	25.20	8,880	2,613
Sep	25.22	+0.02	25.30	25.15	7,354	1,631
Oct	25.12	+0.02	25.15	25.02	6,222	405
Dec	24.94	+0.02	24.98	24.85	14,245	3,281
Total					89,943	34,155

■ SOYABEAN MEAL CBT (100 tons; $/ton)

May	166.7	-0.7	167.7	166.1	28,726	10,705
Jul	171.6	-0.9	172.7	171.0	39,242	15,727
Aug	173.7	-0.6	174.6	173.0	8,973	1,208
Sep	175.5	-0.7	176.5	175.2	6,620	914
Oct	177.0	-0.8	178.1	176.8	12,027	358
Dec	180.3	-0.6	181.4	179.5	921	1,607
Total					103,874	39,548

SOFTS

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
May	1314	+11	1315	1304	12,680	7,492
Jul	1318	+1	1322	1312	35,740	11,610
Sep	1340	-	1341	1335	11,970	2,713
Dec	1373	-1	1375	1370	8,975	620
Mar	1405	-1	1403	1400	5,980	186
May	1424	-1	-	-	4,543	4
Total					78,894	22,679

■ COCOA (ICCO) (SDR's/tonne)

	Price	Prev. day
April 12		
Daily	912.36	903.84

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

May	164.30	+1.65	165.45	161.55	8,273	5,781
Jul	166.35	+1.75	167.45	163.00	11,829	4,825
Sep	167.80	+2.00	168.50	164.60	8,633	1,361
Dec	168.25	+2.15	169.00	165.30	5,527	512
Mar	168.25	+2.15	169.00	165.50	1,692	470
May	168.25	+2.15	-	-	58	22
Total					34,012	12,991

■ COFFEE (ICO) (US cents/pound)

	Price	Prev. day
April 12		
Comp. daily	156.85	158.99
15 day average	156.99	157.24

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

May	12.60	-0.05	12.95	12.42	42,260	15,428
Jul	11.41	-0.33	11.90	11.32	54,481	16,653
Oct	10.84	-0.35	11.30	10.77	34,752	4,985
Mar	10.65	-0.31	11.08	10.60	17,929	4,038
May	10.55	-0.33	10.96	10.45	4,886	290
Jul	10.42	-0.33	10.75	10.35	4,699	73
Total					159,873	41,475

■ COTTON NYCE (50,000lbs; cents/lbs)

May	110.22	-2.00	113.20	110.22	7,438	4,911
Jul	102.15	-2.00	104.00	102.15	18,433	10,364
Oct	81.58	-2.00	82.80	81.58	7,791	976
Dec	78.83	-1.62	78.10	76.60	25,554	2,792
Mar	77.95	-1.48	79.10	77.80	7,245	208
May	78.60	-1.30	79.77	78.90	2,318	27
Total					69,769	19,449

Softs continued

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

May	112.00	+1.45	113.60	110.55	8,615	1,920
Jul	116.25	+1.70	118.00	114.75	10,195	1,322
Sep	118.90	+0.50	120.40	118.00	5,987	494
Nov	113.80	+1.30	114.20	113.50	2,047	67
Jan	114.45	+0.20	114.80	114.25	2,614	420
Mar	116.45	+0.25	116.50	115.50	614	21
Total					30,820	4,284

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Apr	66.650	-0.950	67.300	66.525	9,601	2,442
Jun	61.525	-0.375	62.100	61.400	31,255	5,257
Aug	59.850	+0.050	60.200	59.550	11,729	1,689
Oct	61.325	-	61.800	61.100	7,406	684
Dec	63.250	-0.050	63.600	63.050	3,675	168
Feb	64.250	-.025	64.500	64.100	2,473	53
Total					67,018	10,309

■ LIVE HOGS CME (40,000lbs; cents/lbs)

Apr	38.050	-	38.400	37.850	980	462
Jun	44.275	-0.075	44.850	44.100	12,887	1,773
Aug	43.475	+0.200	43.575	43.250	4,629	480
Oct	40.325	+0.075	40.650	40.250	3,443	207
Dec	41.150	+0.125	41.400	41.100	3,549	60
Feb	41.825	+0.175	41.950	41.800	1,109	21
Total					27,193	3,005

■ PORK BELLIES CME (40,000lbs; cents/lbs)

May	41.675	-0.050	42.700	41.150	2,936	807
Jul	41.300	-0.425	42.400	41.200	2,888	528
Aug	39.050	-0.225	40.200	39.050	709	121
Feb	51.500	+0.050	51.500	51.000	163	15
Mar	50.550	+0.250	51.100	50.000	18	9
May	50.300	-	-	-	-	-
Total					6,715	1,461

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

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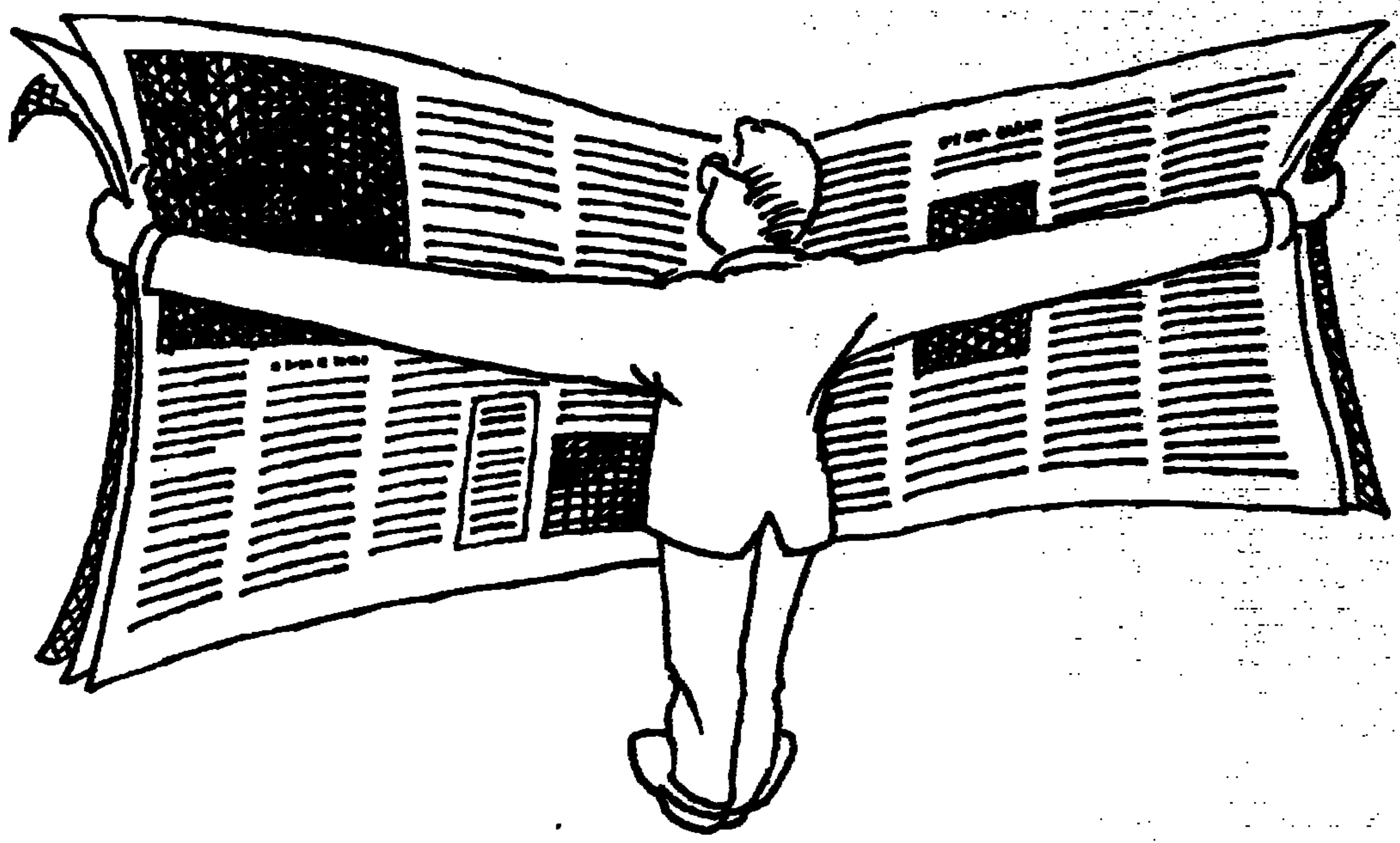

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CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Apr 17		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index†
Europe													
Austria	(Sch)	15.5906	-0.0879	789 - 022	15.8258	15.5789	15.57	1.6	15.5319	1.5	-	-	107.8
Belgium	(BFr)	45.9012	+0.0954	595 - 429	45.9429	45.8010	45.8562	1.2	45.7462	1.4	45.2162	1.5	110.3
Denmark	(DKr)	8.7260	-0.0288	218 - 303	8.7755	8.7216	8.7337	-1.1	8.7365	-0.5	8.7046	0.2	110.3
Finland	(FM)	6.8171	-0.043	109 - 232	6.8740	6.8109	-	-	-	-	-	-	87.7
France	(FFr)	7.7512	-0.0282	455 - 568	7.8020	7.7455	7.7615	-1.6	7.7699	-1.0	7.7128	0.5	110.7
Germany	(DM)	2.2157	-0.0125	142 - 172	2.2330	2.2142	2.2128	1.5	2.2057	1.8	2.1662	2.2	113.3
Greece	(Dr)	360.192	-1.869	000 - 384	362.475	360.000	-	-	-	-	-	-	68.0
Ireland	(I£)	0.9827	+0.0014	821 - 833	0.9848	0.9821	0.9825	0.2	0.9821	0.2	0.9826	0.0	97.2
Italy	(L)	2732.00	-1.12	972 - 427	2746.43	2729.72	2742.75	-4.7	2780.65	-4.2	3272.7	-19.8	84.3
Luxembourg	(LFr)	45.9012	+0.0954	595 - 429	45.9429	45.8010	45.8562	1.2	45.7462	1.4	45.2162	1.5	110.3
Netherlands	(Fl)	2.4839	-0.0107	823 - 854	2.4974	2.4797	2.4806	1.6	2.4733	1.7	2.431	2.1	110.2
Norway	(NKr)	9.9268	-0.0399	221 - 315	10.0283	9.9221	9.9164	1.3	9.8961	1.2	9.7899	1.4	99.3
Portugal	(Es)	233.399	-2.162	174 - 625	235.785	233.174	234.234	-4.3	236.094	-4.5	-	-	96.6
Spain	(Pta)	197.334	-0.597	949 - 718	198.258	196.949	197.794	-2.8	198.709	-2.8	202.654	-2.7	80.0
Sweden	(SKr)	11.6366	-0.0538	269 - 502	11.7645	11.6269	11.6407	-0.2	11.6448	-0.2	11.665	-0.2	77.2
Switzerland	(SFr)	1.8247	-0.0188	233 - 261	1.8456	1.8233	1.8203	2.9	1.8108	3.1	1.7582	3.6	114.0
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	84.4
Ecu	-	1.2061	-0.0013	043 - 078	1.2134	1.2043	1.2062	0.0	1.205	0.4	1.1969	0.8	-
SDR†	-	1.017000	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6167	+0.0125	161 - 173	1.6186	1.6068	-	-	-	-	-	-	-
Brazil	(R$)	1.4629	+0.0082	616 - 641	1.4641	1.4571	-	-	-	-	-	-	-
Canada	(C$)	2.2041	+0.0104	030 - 052	2.2085	2.1969	2.2077	-2.0	2.2131	-1.6	2.2189	-0.7	82.1
Mexico	(New Peso)	10.1212	+0.0303	938 - 485	10.1485	10.0938	-	-	-	-	-	-	-
USA	($)	1.6155	+0.0125	150 - 160	1.6175	1.6055	1.6153	0.1	1.6142	0.3	1.6038	0.7	88.0
Pacific/Middle East/Africa													
Australia	(A$)	2.1809	+0.0167	795 - 823	2.1823	2.1795	2.1836	-1.5	2.1879	-1.3	2.2075	-1.2	79.6
Hong Kong	(HK$)	12.4920	+0.0952	873 - 967	12.5067	12.4177	12.4914	0.1	12.4923	0.0	12.4855	0.1	-
India	(Rs)	50.7348	+0.4727	110 - 586	50.7890	50.3480	-	-	-	-	-	-	-
Israel	(Shk)	4.7594	+0.0188	539 - 649	4.7861	4.7450	-	-	-	-	-	-	-
Japan	(Y)	132.592	-0.97	511 - 674	133.080	131.180	132.022	5.2	130.872	5.2	124.782	5.9	171.7
Malaysia	(M$)	3.9798	+0.0284	769 - 826	3.9831	3.9529	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3939	+0.0084	919 - 958	2.3958	2.3918	2.3998	-2.9	2.4087	-2.5	2.4245	-1.3	98.3
Philippines	(Peso)	42.0839	+0.2455	093 - 584	42.2584	41.9741	-	-	-	-	-	-	-
Saudi Arabia	(SR)	6.0582	+0.0462	561 - 602	6.0855	6.0217	-	-	-	-	-	-	-
Singapore	(S$)	2.2531	+0.0165	516 - 546	2.2551	2.2356	-	-	-	-	-	-	-
South Africa	(R)	5.8263	+0.0495	205 - 321	5.8321	5.7918	-	-	-	-	-	-	-
South Korea	(Won)	1241.83	+8.4	129 - 238	1243.21	1235.43	-	-	-	-	-	-	-
Taiwan	(T$)	40.9332	+0.2943	007 - 656	40.9858	40.5979	-	-	-	-	-	-	-
Thailand	(Bt)	39.6202	+0.2585	675 - 728	39.6728	39.4150	-	-	-	-	-	-	-

† Rates for Apr 13. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Apr 17		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan Index
Europe													
Austria	(Sch)	9.6506	-0.1301	464 - 548	9.6548	9.6464	9.6391	1.4	9.6191	1.3	9.5256	1.3	107.6
Belgium	(BFr)	28.4130	-0.162	960 - 300	28.5700	28.3960	28.3875	1.1	28.341	1.0	28.193	0.8	109.9
Denmark	(DKr)	5.4014	-0.0601	004 - 024	5.4585	5.3995	5.4054	-0.9	5.4129	-0.9	5.4379	-0.7	109.2
Finland	(FM)	4.2198	-0.0587	173 - 223	4.2764	4.2173	4.2218	-0.6	4.2231	-0.3	4.2273	-0.2	86.3
France	(FFr)	4.7980	-0.055	960 - 000	4.8430	4.7960	4.8035	-1.4	4.811	-1.1	4.804	-0.1	109.9
Germany	(DM)	1.3715	-0.0185	710 - 720	1.3885	1.3700	1.3698	1.5	1.3661	1.6	1.3493	1.6	112.3
Greece	(Dr)	222.960	-2.78	910 - 010	225.480	222.640	225.26	-12.4	229.21	-11.2	246.46	-10.5	68.1
Ireland	(I£)	1.6440	+0.0105	435 - 445	1.6465	1.6335	1.6445	-0.4	1.6461	-0.5	1.6547	-0.7	-
Italy	(L)	1691.12	-13.68	023 - 200	1700.50	1690.28	1697.37	-4.4	1710.62	-4.6	1770.12	-4.7	63.8
Luxembourg	(LFr)	28.4130	-0.162	960 - 300	28.5700	28.3960	28.3875	1.1	28.341	1.0	28.193	0.8	109.9
Netherlands	(Fl)	1.5375	-0.0187	370 - 380	1.5520	1.5321	1.5357	1.4	1.5319	1.5	1.5138	1.5	109.5
Norway	(NKr)	6.1447	-0.0728	437 - 457	6.2307	6.1425	6.1382	1.3	6.1284	1.1	6.1022	0.7	98.2
Portugal	(Es)	144.475	-2.475	380 - 570	146.450	144.340	145.075	-5.0	146.225	-4.8	151.525	-4.9	96.7
Spain	(Pta)	122.150	-1.325	950 - 350	123.100	121.950	122.44	-2.8	123.1	-3.1	126.375	-3.5	79.5
Sweden	(SKr)	7.2043	-0.0898	993 - 093	7.3094	7.1988	7.2184	-2.4	7.2498	-2.5	7.4128	-2.9	78.3
Switzerland	(SFr)	1.1295	-0.0205	290 - 300	1.1505	1.1285	1.1268	2.8	1.1213	2.9	1.095	3.1	113.4
UK	(£)	1.6155	+0.0125	150 - 160	1.6175	1.6055	1.6153	0.1	1.6142	0.3	1.6038	0.7	84.1
Ecu	-	1.3395	+0.0118	380 - 410	1.3410	1.3253	1.3396	0.0	1.3397	-0.1	1.3387	0.1	-
SDR†	-	0.63680	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0008	-	007 - 008	1.0008	1.0007	-	-	-	-	-	-	-
Brazil	(R$)	0.9055	-0.002	050 - 060	0.9060	0.9050	-	-	-	-	-	-	-
Canada	(C$)	1.3644	-0.0041	641 - 646	1.3703	1.3641	1.3667	-2.0	1.3711	-1.9	1.3834	-1.4	80.8
Mexico	(New Peso)	6.2650	-0.03	500 - 800	6.2800	6.2500	6.2672	-0.4	6.2704	-0.3	6.2753	-0.2	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	89.3
Pacific/Middle East/Africa													
Australia	(A$)	1.3499	-0.0002	495 - 504	1.3575	1.3492	1.3515	-1.4	1.3554	-1.8	1.3766	-2.0	80.7
Hong Kong	(HK$)	7.7326	-0.0009	321 - 331	7.7331	7.7321	7.7314	0.2	7.7356	-0.2	7.7711	-0.5	-
India	(Rs)	31.4050	+0.05	000 - 100	31.4120	31.3700	31.485	-3.1	31.73	-4.1	-	-	-
Israel	(Shk)	2.9461	-0.0125	436 - 486	2.9709	2.9436	-	-	-	-	-	-	-
Japan	(Y)	82.0750	-1.245	500 - 000	82.8500	81.6000	81.775	4.4	81.115	4.7	78.02	4.9	172.4
Malaysia	(M$)	2.4635	-0.0015	625 - 645	2.4655	2.4590	2.4615	1.0	2.459	0.7	2.4535	0.4	-
New Zealand	(NZ$)	1.4817	-0.0064	810 - 826	1.4898	1.4810	1.4851	-2.8	1.4919	-2.8	1.5111	-2.0	-
Philippines	(Peso)	26.0500	-0.05	500 - 500	26.1500	25.9500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7500	-0.0005	499 - 501	3.7503	3.7499	3.751	-0.3	3.753	-0.3	3.765	-0.4	-
Singapore	(S$)	1.3947	-0.0006	942 - 952	1.3970	1.3920	1.3895	4.5	1.3812	3.9	1.3547	2.9	-
South Africa	(R)	3.6065	+0.0027	040 - 090	3.6090	3.6000	3.6245	-6.0	3.6618	-6.1	3.8558	-6.9	-
South Korea	(Won)	768.700	-0.75	600 - 800	769.300	768.500	771.7	-4.7	775.2	-3.4	793.7	-3.3	-
Taiwan	(T$)	25.3378	-0.014	255 - 500	26.3500	25.2570	25.3578	-0.9	25.3978	-0.9	-	-	-
Thailand	(Bt)	24.5250	-0.03	000 - 500	24.5500	24.5000	24.546	-1.0	24.5725	-0.8	24.66	-0.6	-

† SDR rate per $ for Apr.13. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Apr 13. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

April 13	Over night	One month	Three mths	Six mths	One year	Lomb. Inter	Dis. rate	Repo rate
Belgium	4⅞	4⅝	5¼	5⅛	5⅝	7.40	4.00	-
week ago	5⅛	4⅞	5⅜	5⅜	5⅞	7.40	4.00	-
France	7½	7⅝	7⅝	7	6⅞	5.00	-	8.00
week ago	7⅝	7⅝	7½	7⅜	7⅛	5.00	-	8.00
Germany	4½	4½	4⅝	4¾	4⅞	6.00	4.00	4.50
week ago	4.53	4⅝	4.68	4.70	4.95	6.00	4.00	4.85
Ireland	5⅝	6⅛	6⅝	6⅞	7⅜	-	-	6.25
week ago	6⅛	6⅛	7	7⅛	7⅜	-	-	6.25
Italy	10¼	10⅞	10⅞	10⅞	11½	-	7.50	10.46
week ago	10	10⅞	11	11⅞	11¾	-	7.50	10.44
Netherlands	4.48	4.50	4.68	4.80	5.04	-	5.25	-
week ago	4.56	4.60	4.71	4.83	5.06	-	5.25	-
Switzerland	3⅞	3⅞	3⅞	3½	3⅝	6.625	3.00	-
week ago	3⅛	3⅜	3⅜	3⅛	3⅝	6.625	3.00	-
US	6⅛	6⅛	6⅛	6⅜	6⅝	-	5.25	-
week ago	6	6⅛	6⅛	6⅜	6⅞	-	5.25	-
Japan	2⅛	1⅞	1⅞	1½	1½	-	1.75	-
week ago	2⅛	1⅞	1⅞	1⅞	1⅞	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	6⅛	6¼	6⅜	6⅝	-	-	-
week ago	-	6⅛	6¼	6⅜	6¾	-	-	-
US Dollar CDs	-	5.88	6.02	6.21	6.51	-	-	-
week ago	-	5.88	6.06	6.26	6.59	-	-	-
SDR Linked Ds	-	4⅜	5	5⅛	5⅛	-	-	-
week ago	-	4⅜	5	5⅛	5⅛	-	-	-

ECU Linked Ds mid rates: 1 mth: 6⅛; 3 mths: 6⅛; 6 mths: 6⅛; 1 year: 6⅝. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster. Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Apr 13	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	5⅛ - 5	6½ - 6⅜	5 - 4⅞	5¼ - 5⅛	5½ - 5⅜	5⅝ - 5½
Danish Krone	7 - 6¾	7 - 6¾	7 - 6¾	7 - 6¾	7⅛ - 7	7⅜ - 7
D-Mark	4⅝ - 4½	4⅝ - 4½	4⅝ - 4½	4⅝ - 4⅝	4¾ - 4⅝	4⅞ - 4¾
Dutch Guilder	4⅞ - 4⅝	4⅝ - 4⅜	4⅝ - 4½	4¾ - 4⅝	4⅞ - 4¾	5⅛ - 5
French Franc	7¾ - 7½	7⅞ - 7⅝	7¾ - 7½	7⅝ - 7⅜	7⅛ - 7⅝	7⅝ - 7⅜
Portuguese Esc.	9⅜ - 8⅞	9⅝ - 9¼	10⅞ - 10⅝	10⅞ - 10⅛	11¼ - 10⅞	11½ - 11⅛
Spanish Peseta	8⅞ - 8⅞	8¾ - 8⅝	9 - 8⅞	9⅞ - 9⅞	9¾ - 9⅝	10⅞ - 10⅜
Sterling	6⅜ - 6¼	6⅛ - 6⅛	6¼ - 6⅛	6⅝ - 6⅝	7 - 6⅞	7⅝ - 7⅜
Swiss Franc	3½ - 3⅜	3½ - 3⅜	3½ - 3⅜	3½ - 3⅜	3⅝ - 3½	3¾ - 3⅝
Can. Dollar	8⅛ - 7⅞	8 - 7⅞	8 - 7⅞	8 - 7⅞	7⅞ - 7¾	7⅞ - 7⅝
US Dollar	6 - 5⅞	6⅛ - 5⅞	6⅛ - 6	6¼ - 6⅛	6⅜ - 6¼	6⅝ - 6½
Italian Lira	10¼ - 9¾	10⅞ - 10⅞	10⅜ - 10¼	10⅝ - 10½	11 - 10⅞	11⅝ - 11⅜
Yen	1⅞ - 1¾	1⅞ - 1¾	1¾ - 1⅞	1⅞ - 1⅝	1⅝ - 1½	1⅝ - 1½
Asian $Sing	3⅞ - 3¾	3¼ - 3⅛	2⅞ - 2⅞	2⅞ - 2⅞	3 - 2⅞	3⅜ - 3¼

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.74	93.74	+0.03	93.76	93.73	113,687	515,548
Sep	93.61	93.62	+0.05	93.64	93.59	138,594	354,331
Dec	93.40	93.46	+0.09	93.48	93.40	123,591	267,366

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.33	94.33	+0.04	94.33	94.31	1,568	14,476
Sep	94.16	94.18	+0.06	94.18	94.16	249	10,998
Dec	94.03	94.03	+0.08	94.04	94.02	58	8,958

All Open Interest figs are for previous day

US INTEREST RATES

Lunchtime		Treasury Bills and Bond Yields			
Prime rate	9	One month	5.62	Two year	6.45
Broker loan rate	6½	Two month	5.70	Three year	6.56
Fed.funds	6⅛	Three month	5.75	Five year	6.79
Fed.funds at intervention	6⅛	Six month	5.96	10-year	7.04
		One year	6.15	30-year	7.36

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	82.85	83.39	+0.78	83.65	82.85	14,063	50,264

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	105-19	105-17	+0-12	105-24	105-16	330,447	333,844
Sep	105-05	105-03	+0-12	105-08	105-03	2,105	18,815
Dec	104-26	104-22	+0-12	104-26	104-21	32	1,578

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Apr 17		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.01	16.89	4.828	2.142	5952	5.412	21.63	508.5	429.8	25.36	3.976	2.179	4.802	3.519	288.9	2.627
Denmark	(DKr)	52.60	10	8.883	2.540	1.127	3131	2.847	11.38	267.5	226.1	13.34	2.091	1.146	2.526	1.851	152.0	1.382
France	(FFr)	59.22	11.26	10	2.859	1.268	3525	3.205	12.81	301.1	254.5	15.02	2.355	1.290	2.844	2.084	171.1	1.556
Germany	(DM)	20.71	3.938	3.498	1	0.444	1233	1.121	4.480	105.3	89.03	5.253	0.824	0.451	0.995	0.729	59.84	0.544
Ireland	(I£)	46.69	8.877	7.885	2.254	1	2779	2.527	10.10	237.4	200.7	11.84	1.857	1.017	2.242	1.643	134.9	1.227
Italy	(L)	1.680	0.319	0.284	0.081	0.036	100.	0.091	0.363	8.543	7.222	0.426	0.067	0.037	0.081	0.059	4.854	0.044
Netherlands	(Fl)	18.48	3.513	3.120	0.892	0.396	1100	1	3.996	93.96	79.43	4.686	0.735	0.403	0.887	0.650	53.38	0.486
Norway	(NKr)	46.24	8.790	7.806	2.232	0.990	2752	2.502	10	235.1	198.8	11.73	1.838	1.007	2.220	1.627	133.6	1.215
Portugal	(Es)	19.67	3.739	3.321	0.949	0.421	1171	1.064	4.253	100.	84.53	4.987	0.782	0.428	0.944	0.692	56.81	0.517
Spain	(Pta)	23.26	4.423	3.929	1.123	0.498	1385	1.259	5.031	118.3	100.	5.900	0.925	0.507	1.117	0.819	67.21	0.611
Sweden	(SKr)	39.43	7.497	6.659	1.904	0.845	2347	2.134	8.528	200.5	169.5	10	1.568	0.859	1.893	1.387	113.9	1.036
Switzerland	(SFr)	25.15	4.781	4.247	1.214	0.539	1497	1.361	5.439	127.9	108.1	6.378	1	0.548	1.208	0.885	72.66	0.661
UK	(£)	45.90	8.726	7.751	2.216	0.983	2732	2.484	9.927	233.4	197.3	11.64	1.825	1	2.204	1.615	132.6	1.206
Canada	(C$)	20.83	3.959	3.517	1.005	0.446	1240	1.127	4.504	105.9	89.52	5.281	0.828	0.454	1	0.733	60.16	0.547
US	($)	28.42	5.403	4.799	1.372	0.609	1692	1.538	6.147	144.5	122.2	7.207	1.130	0.619	1.365	1	82.11	0.747
Japan	(Y)	34.62	6.581	5.845	1.671	0.741	2060	1.873	7.486	176.0	148.8	8.778	1.376	0.754	1.662	1.218	100.	0.910
Ecu		38.06	7.235	6.427	1.837	0.815	2265	2.060	8.231	193.5	163.6	9.652	1.513	0.829	1.828	1.339	110.0	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est.vol	Open int.
Jun	0.7239	0.7304	+0.0081	0.7310	0.7220	22,067	55,922
Sep	0.7270	0.7340	+0.0093	0.7344	0.7269	80	2,540
Dec	0.7300	0.7354	+0.0076	0.7354	0.7300	4	384

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est.vol	Open int.
Jun	0.8794	0.8885	+0.0125	0.8892	0.8760	10,018	28,906
Sep	0.8835	0.8935	+0.0105	0.8935	0.8830	39	2,413
Dec	0.8920	0.9000	+0.0036	0.9000	0.8920	25	209

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est.vol	Open int.
Jun	1.2146	1.2285	+0.0161	1.2350	1.2115	11,646	58,048
Sep	1.2420	1.2444	+0.0193	1.2448	1.2375	197	3,160
Dec	-	1.2585	-	1.2585	-	69	852

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est.vol	Open int.
Jun	1.6130	1.6158	+0.0086	1.6180	1.6074	8,093	22,751
Dec	1.6126	1.6160	+0.0082	1.6160	1.6120	22	248
Mar	-	1.6120	-	1.6120	-	1	62

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS May	CALLS Jun	CALLS Sep	PUTS May	PUTS Jun	PUTS Sep
1.525	9.05	9.24	9.47	0.01	0.34	0.67
1.550	6.74	7.18	7.55	0.14	0.70	1.16
1.575	4.59	5.33	5.80	0.47	1.30	1.87
1.600	2.77	3.73	4.29	1.14	2.17	2.77
1.625	1.50	2.51	3.05	2.30	3.33	4.00
1.650	0.69	1.58	2.14	3.93	3.87	5.50

Previous day's vol., Calls N/A Puts N/A . Prev. day's open int., Calls N/A Puts N/A

■ Pound in New York

Apr 17	Latest	Prev. close
£ spot	1.6195	-
1 mth	1.6193	-
3 mth	1.6181	-
1 yr	1.6072	-

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on the Emerging Markets page in today's edition.

FT GOLD MINES INDEX

	Apr 13	% chg since 30/12/94	Apr 12	Mkt Cap $bn	% of Gold Mines	Gross div yield %	52 week High	52 week Low
Gold Mines Index (34)	1924.63	-2.6	1946.04	47.67	100.00	2.20	2837.90	1637.91
■ Regional Indices								
Africa (16)	2706.98	-15.2	2687.25	14.39	30.19	5.01	3711.87	2328.34
Australasia (7)	2428.03	-1.1	2430.14	6.23	13.08	1.74	2951.49	1788.20
North America (11)	1625.76	+5.3	1663.62	27.04	56.73	0.81	1911.21	1348.18

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Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92.
Latest prices were unavailable for this edition.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	95.4900	+0.180	9.74	9.79	10.37
Austria		7.500	01/05	100.7500	+0.220	7.38	7.36	7.63
Belgium		6.500	03/05	90.7100	+0.180	7.86	7.85	8.29
Canada *		9.000	12/04	103.6700	+0.570	8.40	8.54	8.53
Denmark		7.000	12/04	0.0000	-	0.00	8.90	8.95
France	BTAN	8.000	05/98	101.0900	+0.050	7.59	7.60	7.27
	OAT	7.500	04/05	98.2100	+0.380	7.75	7.77	8.13
Germany Bund		7.375	01/05	102.0900	+0.240	7.06	7.04	7.35
Ireland		6.250	10/04	83.6500	+0.150	8.82	8.92	8.80
Italy		9.500	01/05	81.3300	+0.340	12.93†	12.98	13.05
Japan	No 119	4.800	06/99	107.9470	+0.020	2.79	2.72	3.57
	No 174	4.600	09/04	108.0990	+0.030	3.46	3.45	4.21
Netherlands		7.750	03/05	103.9200	+0.300	7.18	7.18	7.54
Portugal		11.875	02/05	97.9000	+0.070	12.24	12.30	11.66
Spain		10.000	02/05	0.0000	-	0.00	11.58	12.23
Sweden		6.000	02/05	0.0000	-	0.00	11.58	11.09
UK Gilts		8.000	06/99	92-13	+3/32	8.13	8.24	8.55
		8.500	12/05	101-08	+11/32	8.32	8.41	8.66
		9.000	10/08	105-11	+13/32	8.33	8.42	8.65
US Treasury *		7.500	02/05	103-08	+6/32	7.04	7.07	7.09
		7.625	02/25	103-13	+7/32	7.34	7.35	7.37
ECU (French Govt)		8.000	04/04	86.5600	+0.430	8.16	8.21	8.58

(Apr 13) London closing, *New York closing Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal Source: MMS International

UK INTEREST RATES

LONDON MONEY RATES

Apr 13	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7 - 4¾	5⅞ - 5⅜	6⅛ - 6	6⅛ - 6⅛	7⅛ - 6⅞	7⅛ - 7⅛
Sterling CDs	-	-	6⅛ - 6⅛	6⅜ - 6⅞	7 - 6⅞	7⅛ - 7⅛
Treasury Bills	-	-	6⅛ - 5⅞	6¼ - 6⅛	-	-
Bank Bills	-	-	6⅛ - 6	6⅞ - 6⅛	6⅞ - 6⅞	-
Local authority deps.	6⅛ - 5⅞	6⅛ - 6	6⅛ - 6⅛	6⅜ - 6⅞	7 - 6⅞	7⅛ - 7⅛
Discount Market deps	6¾ - 5	5⅞ - 5⅝	-	-	-	-

UK clearing bank base lending rate 6¾ per cent from February 2, 1995

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	3	5¾	5¼	5	5¼

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.
Ave. tender rate of discount 6.1687pc. ECGD fixed rate Stlg. Export Finance. Make up day Mar 31, 1995. Agreed rate for period Apr 26, 1995 to May 23, 1995, Schemes II & III 7.98pc. Reference rate for period Mar 1, 1995 to Mar 31, 1995, Schemes IV & V 6.713pc. Finance House Base Rate 7pc from Apr 1, 1995

BANK OF ENGLAND TREASURY BILL TENDER

	Apr 13	Apr 7		Apr 13	Apr 7
Bills on offer	£900m	£900m	Top accepted rate	6.1969%	6.1569%
Total of applications	£3589m	£3834m	Ave. rate of discount	6.1687%	6.1348%
Total allocated	£900m	£900m	Average yield	6.2651%	6.2301%
Min. accepted bid	£98.456	£98.465	Offer at next tender	£900m	£900m
Allotment at min. level	15%	81%	Min. accept. bid 182 days	-	-

BASE LENDING RATES

	%		%		%
Adam & Company	6.75	Duncan Lawrie	6.75	*Roxburghe Guarantee Corporation Ltd is no longer authorised as a banking institution.	10
Allied Trust Bank	6.75	Exeter Bank Limited	7.75	Royal Bk of Scotland	6.75
AIB Bank	6.75	Financial & Gen Bank	7.50	Singer & Friedlander	6.75
●Henry Ansbacher	6.75	●Robert Fleming & Co	6.75	●Smith & Williamson Secs	6.75
Bank of Baroda	6.75	Girobank	6.75	TSB	6.75
Banco Bilbao Vizcaya	6.75	●Guinness Mahon	6.75	●United Bk of Kuwait	6.75
Bank of Cyprus	6.75	Habib Bank AG Zurich	6.75	Unity Trust Bank Plc	6.75
Bank of Ireland	6.75	●Hambros Bank	6.75	Western Trust	6.75
Bank of India	6.75	Heritable & Gen Inv Bk.	6.75	Whiteaway Laidlaw	6.75
Bank of Scotland	6.75	●Hill Samuel	6.75	Yorkshire Bank	6.75
Barclays Bank	6.75	C. Hoare & Co	6.75		
Brit Bk of Mid East	6.75	Hongkong & Shanghai	6.75	● Members of London Investment Banking Association	
●Brown Shipley & Co Ltd.	6.75	Julian Hodge Bank	6.75	* In administration	
Citibank NA	6.75	●Leopold Joseph & Sons	6.75		
Clydesdale Bank	6.75	Lloyds Bank	6.75		
The Co-operative Bank	6.75	Meghraj Bank Ltd	6.75		
Coutts & Co	6.75	Midland Bank	6.75		
Credit Lyonnais	6.75	* Mount Banking	6.75		
Cyprus Popular Bank	6.75	NatWestminster	6.75		
		●Rea Brothers	6.75		

BANK RETURN

BANKING DEPARTMENT	Wednesday April 12, 1995	Increase or decrease for week
Liabilities	£	£
Capital	14,553,000	
Public deposits	1,097,071,184	-28,190,467
Bankers deposits	1,538,229,770	-290,691,096
Reserve and other accounts	3,274,023,394	+70,437,924
	5,923,877,348	-248,443,639
Assets		
Government securities	1,443,493,458	+245,760,000
Advance and other accounts	2,176,688,735	-162,638,878
Premise, equipment and other secs	2,292,430,712	-334,928,312
Notes	11,083,496	+3,367,269
Coin	180,949	-5,718
	5,923,877,348	-248,443,639
ISSUE DEPARTMENT		
Liabilities		
Notes in circulation	19,188,916,504	+846,632,732
Notes in Banking Department	11,083,496	+3,367,268
	19,200,000,000	+850,000,000
Assets		
Other Government securities	17,597,253,654	+959,583,562
Other Securities	1,602,746,346	-309,583,562
	19,200,000,000	+850,000,000

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 17.04.95 Pool purchase price £/MWh	Final Prices for Trading on 20.03.95 Pool purchase price £/MWh	Pool selling price £/MWh
0030	8.15	22.50	22.50
0100	8.15	10.86	11.49
0130 - 2400	[illegible]	[illegible]	[illegible]

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 18.04.95 Pool purchase price £/MWh	Final Prices for Trading on 21.03.95 Pool purchase price £/MWh	Pool selling price £/MWh
0030	8.88	9.05	9.05
0100	8.15	8.90	8.90
0130 - 2400	[illegible]	[illegible]	[illegible]

[illegible]

UK GILTS PRICES

	Notes	Price £	Wk % +/-	Amnt £m	Interest due	Last xd	City line
Shorts" (Lives up to Five Years)							
Exch 10¼pc 1995		101⅛	-	2,500	Ja21 Jy21	15.12	1254
Treas 12¾pc 1995‡‡		103⅛xd	-.1	640	My15 Nv15	10.4	1288
14pc 1996		105¼	-.1	770	Jy22 Ja22	16.12	1305
15¼pc 1996‡‡		108⅞xd	-.1	1,150	My3 Nv3	27.3	1309
Exch 13¼pc 1996‡‡		105⅞xd	-	800	My15 Nv15	10.4	1268
Conversion 10pc 1996		103⅞xd	0.1	3,409	My15 Nv15	10.4	1240
[illegible]			0.1	1,280	Ja22 Ja22	16.12	1302
[illegible]							
Treas 13pc 2000		119½	0.4	2,800	Ja7 Dc7		
8pc 2000‡‡		99⅞	0.5	4,405	Fe26 Au26	20.1	1280
10pc 2001		107⅞	0.5	7,200	My6 Nv6	30.3	3031
7pc 2001 ‡‡		93⅞xd	0.5	6,827	Fe27 Au27	23.1	1349
9¾pc 2002		107⅞	0.5	8,250	Ja10 De10	3.11	2010
8pc 2003‡‡		97¾	0.6	2,503	Mr8 Se8	30.1	1281
10pc 2003		109⅞	0.6	1,620	Mr19 Se19	10.2	1290
Treas 11½pc 2001-4		113⅞	0.3	545	Ja14 Jy14	8.12	1274
Funding 3½pc 1999-4		78⅞	1.1		Ap25 Oc25	20.3	1248
Conversion 9½pc 2004		106⅞xd	0.4	3,412			

	Notes	Price £	Wk % +/-	Amnt £m	Interest due	Last xd	City line
Treas 6¾pc 2004‡‡		89⅞	0.5	6,500	My26 Nv26	20.10	3541
Conv 9½pc 2005		107⅞xd	0.4	4,842	Ap18 Oc18	13.3	1247
8½pc 2005‡‡		101⅛	0.5	6,400	Ja7 De7	-	4946
Treas 12½pc 2003-5		123¾	0.5	2,200	My21 Nv21	17.10	1295
7¾pc 2006‡‡		95⅞	0.5	3,900	Mr8 Se8	30.1	2300
8pc 2002-6‡‡		97⅞	0.6	2,000	Ap5 Oc5	28.2	1334
Treas 11¾pc 2003-7		117⅞	0.4	3,150	Ja22 Jy22	16.12	1293
[illegible]							
Undated							
Consols 4pc		46⅞	0.3	359	Fe1 Au1	26.12	1239
War Loan 3½pc‡‡		40¼	0.3	1,909	Ja1 Dc1	25.10	1352
Conv 3½pc '61 Aft		58⅞	-.1	115	Ap1 Oc1	23.2	1243
Treas 3pc '66 Aft		35⅞	-.2	56	Ap5 Oc5	28.2	1324
Consols 2½pc		30⅞	1.0	276	5JaApJyOc	28.2	1238
Treas. 2½pc		29⅞	0.2	475	Ap1 Oc1	23.2	1315

	Notes	Price £	Wk % +/-	Amnt £m	Interest due	Last xd	City line
Index-Linked	(b)						
2pc '96	(67.9)	208⅞	0.5	1,200	Mr16 Se16	7.2	1313
4⅝pc '98‡‡	(135.6)	109⅞xd	0.5	800	Ap27 Oc27	21.3	1753
2½pc '01	(78.3)	169⅞	0.3	1,800	Mr24 Se24	14.2	1316
2½pc '03	(78.8)	168⅞xd	0.4	1,800	My20 Nv20	13.4	1317
4⅝pc '04‡‡	(135.6)	110⅞xd	0.3	1,000	Ap21 Oc21	15.3	1255
2pc '06	(69.5)	173⅛	0.5	1,750	Ja19 Jy19	13.12	1314
2½pc '09	(78.8)	156⅞xd	0.4	1,800	My20 Nv20	13.4	1318
[illegible]							
Leeds 13½pc 2006		129½	-	40	Ap1 Se8	3'93	3146
Liverpool 3½pc Irred.		38½	-2.7	5	1JaApJaOc	6'93	-
LCC 3pc '20 Aft		33	1.5	28	1JaJeSeDe	8'93	-
Manchester 11½pc 2007		115¾	-.2	8	Ap25 Oc25	3'93	3275
Met. Wtr. 3pc 'B'		70½	-	25	Mr1 Se1	8'93	3361
N'wide Anglia 3⅞pc 2021		134¼	0.9	60	Ja30 Jy30	1'93	3465
4¼pc IL 2024		129¼	0.6	50	-	7'93	-
Utd Mex States 16½pc 2008		114	-1.3	50	Mr1 Se1	8'93	-

(b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for August 1994: 144.7 and for March 1995: 147.5.

Other Fixed Interest

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Weekly percentage changes are calculated on a Thursday to Thursday basis.

STOCK INDICES

	Apr 13	Apr 12	Apr 11	Apr 10	Apr 7	1995 High	1995 Low	Since comp. High	Since comp. Low
FT-SE 100	3208.9	3209.8	3190.9	3204.2	3210.9	3210.9	2954.2	3520.3	986.9
FT-SE Mid 250	3500.8	3499.1	3484.3	3490.9	3497.6	3500.8	3300.9	4152.8	1379.4
FT-SE Mid 250 ex ITs	3509.3	3502.1	3493.5	3500.5	3509.1	3509.3	3306.4	4180.7	1378.3
FT-SE-A 350	1592.4	1592.0	1593.8	1589.5	1592.9	1592.9	1482.4	1779.3	664.5
FT-SE SmallCap	1743.34	1739.83	1737.34	1733.77	1733.79	1747.7	1678.6	3894.98	1363.79
FT-SE SmallCap ex ITs	1719.22	1715.99	1714.16	1710.86	1711.28	1720.6	1658.2	2008.72	1363.79
FT-SE-A All-Share	1571.44	1570.84	1563.24	1568.20	1571.24	1571.44	1489.2	1764.11	61.92

	Apr 13	Apr 12	Apr 11	Apr 10	Apr 7	1995 High	1995 Low	Since comp. High	Since comp. Low
FT-SE-A Fledgling	986.63	984.07	983.10	983.05	983.09	1002.89	949.00	1082.89	949.00
FT-SE Eurotrack 100	1281.68	1281.77	1281.08	1282.54	1281.80	1348.30	1222.41	1540.19	800.45
FT-SE Eurotrack 200	1381.03	1378.71	1380.31	1378.53	1380.37	1466.41	1314.73	1607.10	938.62
FT Ordinary	2446.7	2447.5	2434.3	2444.4	2454.1	2454.1	2238.3	2713.6	49.4
FT Govt Securities	92.31	92.21	91.91	91.80	92.24	92.31	90.22	127.40	49.18
FT Fixed Interest	110.91	110.84	110.76	111.08	111.15	111.15	108.77	133.87	50.53
FT Gold Mines	1924.63	1946.04	1931.23	1936.32	1996.79	2837.9	1637.91	2367.49	922.16

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Apr 13 / Sch)

BELGIUM/LUXEMBOURG (Apr 13 / Frs.)

CZECH REP (Apr 14 / Koruna)

DENMARK (Apr 12 / Kr)

FINLAND (Apr 12 / Mkk)

FRANCE (Apr 13 / Frs.)

GERMANY (Apr 13 / Dm.)

GREECE (Apr 14 / Drachma)

ITALY (Apr 14 / Lire)

NETHERLANDS (Apr 13 / Fls.)

NORWAY (Apr 12 / Kroner)

POLAND (Apr 13 / Zloty)

PORTUGAL (Apr 13 / Escudo)

SPAIN (Apr 17 / Pts.)

SWEDEN (Apr 13 / Kronor)

SWITZERLAND (Apr 13 / Frs.)

TURKEY (Apr 17 / Tk Lira)

PACIFIC

JAPAN (Apr 17 / Yen)

HONG KONG (Apr 17 / H.K.$)

INDONESIA (Apr 17 / Rupiah)

MALAYSIA (Apr 17 / MYR)

NEW ZEALAND (Apr 17 / NZ $)

SINGAPORE (Apr 17 / S$)

AUSTRALIA (Apr 13 / Aust$)

SOUTH KOREA (Apr 17 / Won)

TAIWAN (Apr 17 / TW $)

THAILAND (Apr 17 / Baht)

MONTREAL (Apr 17 / Can $)
4 pm close

AFRICA

SOUTH AFRICA (Apr 13 / Rand)

NORTH AMERICA

CANADA

TORONTO (Apr 17 / Can $)
4 pm close

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1995, except Toronto & Montreal (daily). ‡ Dealings suspended, xd Ex dividend, xc Ex scrip issue, xr Ex rights, xa Ex all. † Priced in US $.

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INDICES

	Apr 17	Apr 14	Apr 13	1995 High	1995 Low
Argentina					
General (29/12/77)	(u)	(c)	(c)	18631.10 2/1	9831.99 9/3
Australia					
All Ordinaries(1/1/80)	(c)	(c)	2020.7	2020.70 13/4	1823.30 8/2
All Mining(1/1/80)	(c)	(c)	928.9	928.80 13/4	785.30 8/2
Austria					
Credit Aktien(30/12/84)	(c)	(c)	357.28	385.42 2/1	350.32 30/3
Traded Index(2/1/91)	(c)	(c)	957.00	1058.31 2/1	934.83 30/3
Belgium					
BEL20 (1/1/91)	(c)	(c)	1365.49	1391.22 6/1	1271.53 9/3
Brazil					
Bovespa (29/12/83)	(u)	(c)	(c)	43190.00 2/1	21382.00 9/3
Canada					
Metals Minls♦(1975)	(u)	(c)	4231.31	4326.07 18/1	3806.63 1/3
Composite♦ (1975)	(u)	(c)	4303.30	4319.48 30/3	3991.41 30/1
Portfolio§§ (4/1/83)	(u)	(c)	2145.48	2145.48 13/4	1948.39 31/1
Chile					
IPGA Gen (31/12/80)	(u)	(c)	5319.0	5518.21 17/1	4576.90 9/3
Denmark					
CopenhagenSE(3/1/83)	(c)	(c)	(c)	357.07 13/2	330.01 29/3
Finland					
HEX General(28/12/90)	(c)	(c)	(c)	1940.30 10/1	1555.30 29/3
France					
SBF 250 (31/12/90)	(c)	(c)	1237.98	1281.23 5/1	1153.14 10/3
CAC 40(31/12/87)	(c)	(c)	1881.14	1901.79 4/1	1721.80 13/3
Germany					
FAZ Aktien(31/12/58)	(c)	(c)	738.11	795.81 16/2	708.87 30/3
Commerzbank(1/12/53)	(c)	(c)	2107.2	2269.90 16/2	2018.70 30/3
DAX (30/12/87)‡	(c)	(c)	1986.45	2135.04 15/2	1910.96 28/3
Greece					
Athens SE(31/12/80)	(u)	792.84	795.95	886.22 4/1	787.15 18/3
Hong Kong					
Hang Seng(31/7/64)	(c)	(c)	8861.99	8827.93 28/3	6967.93 23/1
India					
BSE Sens.(1979)	3460.46	(c)	(c)	3932.09 2/1	3233.31 22/2
Indonesia					
Jakarta Comp.(10/8/82)	417.84	(c)	419.45	481.22 6/1	417.84 17/4
Ireland					
ISEQ Overall(4/1/88)	(c)	(c)	1878.0	1902.77 10/2	1813.59 23/1
Italy					
Banca Comm Ital (1972)	(c)	(u)	604.43	680.54 10/2	587.99 23/3
MIB General (2/1/95)	(c)	961.0	955.0	1076.00 10/2	929.00 23/3
Japan					
Nikkei 225 (16/5/49)	16304.15	16047.88	16438.79	19723.06 2/1	15381.29 3/4
Nikkei 300 (1/10/82)	241.51	237.99	242.57	287.17 2/1	228.05 24/3
Topix (4/1/68)	1302.93	1288.35	1309.17	1559.09 2/1	1239.67 24/3
2nd Section (4/1/68)	1674.20	1679.27	1680.97	2133.66 2/1	1601.53 24/3
Malaysia					
KLSE Comp.(4/4/86)	982.83	985.97	983.34	998.79 5/4	840.87 24/1
Mexico					
IPC (Nov 1978)	(u)	(c)	(c)	2354.25 2/1	1165.86 5/4
Netherland					
CBS TtlRtnGen(End 83)	(c)	(c)	435.7	447.00 10/2	422.90 23/3
CBS All Shr (End 83)	(c)	(c)	273.0	280.40 10/2	265.20 23/3
New Zealand					
Cap. 40 (1/7/86)	(c)	(c)	2083.12	2083.12 13/4	1801.43 5/1
Norway					
Oslo SE(Ind)(2/1/83)	(c)	(c)	(c)	1152.66 6/2	1036.00 10/3
Philippines					
Manila Comp (2/1/85)	2487.95	(c)	(c)	2805.38 3/1	2249.39 27/3
Portugal					
BTA (1977)	(c)	(c)	2760.5	2911.60 9/1	2682.40 26/1
Singapore					
SES All-S'pore(2/4/75)	481.99	(c)	493.61	536.08 5/1	472.90 23/1
South Africa					
JSE Gold (28/9/78)	(c)	(c)	1464.6¶	2023.00 2/1	1357.80 27/3
JSE Indl. (28/9/78)	(c)	(c)	6853.9¶	6994.40 2/1	6222.00 31/1
South Korea					
KoreaCompEx(4/1/80)**	918.89	906.06	891.20	1027.37 2/1	885.69 28/2
Spain					
Madrid SE (30/12/85)	278.40	(c)	(c)	290.08 6/2	264.08 23/3
Sweden					
AffarsvardlnGen (1/2/37)	(c)	(c)	1515.60	1583.89 14/2	1438.80 29/3
Switzerland					
Swiss Bk Ind (31/12/58)	(c)	(c)	1201.49	1257.80 14/2	1174.63 13/3
SBC General (1/4/87)	(c)	(c)	899.23	928.91 4/1	870.58 13/3
Taiwan					
WeightedPr.(30/6/66)**	6112.07	(c)	6417.58	7124.66 3/1	6112.87 17/4
Thailand					
Bangkok SET (30/4/75)	1194.13	(c)	(c)	1373.66 5/1	1135.69 16/3
Turkey					
Istanbul Cap.(Jan 1986)	48578.9	48203.2	48631.9	49678.89 17/4	24644.31 23/1
WORLD					
MS Capital Int (1/1/70)$	661.8*	655.2	657.8	661.80 17/4	598.21 23/1
CROSS-BORDER					
Eurotrack 100(26/10/90)	(c)	(c)	1281.66	1349.30 10/2	1222.41 13/3
Euro Top-100 (26/6/90)	1174.58	1170.13	1171.08	1202.87 10/2	1114.34 10/3
JCapeDrgns (31/12/88)	(u)	(c)	(u)	309.49 29/3	282.07 23/1
Barings Emerg.(7/1/92)	134.32	134.38	134.32	168.07 2/1	117.15 10/3

INDEX FUTURES

CAC-40 (200 x index)	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Mar	1886.0	1894.0	+10.0	1894.0	1880.0	11,672	26,160
Apr	1884.5	1890.5	+10.0	1884.5	1883.0	605	10,087
DAX							
Jun	1987.50	1990.00	-1.00	1992.0	1984.5	5,221	-
Sep	2010.50	2013.00	-	2013.5	2010.5	7	-

OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Apr	1179.00	1172.45	-9.55	1183.00	1172.45	2,678	23,175
May	1168.00	1168.00	-3.00	1169.25	1168.00	485	1,695
SOFFEX							
Apr	2563.0	2582.0	+1.0	2564.9	2559.0	1,470	15,936
Jun	2530.0	2530.0	-3.0	2530.0	2530.0	1	222

** Sat Apr 15: Taiwan Weighted Price 6247.72; Korea Comp Ex 911.41. Base values of all indices are 100 except: Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Apr 13 - 1982.99 -8.09.

US INDICES

Dow Jones	Apr 13	Apr 12	Apr 11	1995 High	1995 Low	Since compilation High	Since compilation Low
Industrials	4208.18	4197.81	4187.98	4208.18 (13/4)	3832.08 (30/1)	4208.18 (13/4/95)	41.22 (2/7/32)
Home Bonds	98.90	98.81	98.79	98.93 (13/4)	93.63 (3/1)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1667.65	1654.61	1643.65	1667.85 (13/4)	1473.19 (3/1)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	192.72	191.87	192.06	196.74 (8/2)	183.03 (3/1)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 4248.46 (4221.87) Low 4173.94 (4163.57) (Theoretical♠)
Day's high 4221.32 (4201.98) Low 4186.08 (4182.24) (Actual♠)

Standard and Poors	Apr 13	Apr 12	Apr 11	1995 High	1995 Low	Since compilation High	Since compilation Low
Composite ‡	509.23	507.17	505.53	509.23 (13/4)	459.11 (3/1)	509.23 (13/4/95)	4.40 (1/6/32)
Industrials¶	604.80	602.49	598.94	604.86 (13/4)	548.28 (3/1)	604.80 (13/4/95)	3.82 (21/6/92)
Financial	47.63	47.36	47.37	47.81 (7/4)	41.41 (2/1)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	275.00	274.04	273.29	275.08 (13/4)	250.73 (3/1)	275.88 (13/4/95)	4.46 (25/4/42)
Amex Mkt Val	471.98	471.40	470.73	471.98 (13/4)	433.12 (6/1)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	832.64	828.53	824.83	832.84 (13/4)	743.58 (3/1)	832.84 (13/4/95)	54.87 (31/10/72)

RATIOS

	Apr 7	Mar 31	Mar 24	Year ago
Dow Jones Ind. Div. Yield	2.61	2.54	2.65	2.78
	Apr 12	Apr 5	Mar 29	Year ago
S & P Ind. Div. yield	2.25	2.26	2.27	2.51
S & P Ind. P/E ratio	18.15	18.11	18.05	23.67

NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Close price	Change on day
Chrysler	12,217,700	48	–¼
EMC Corp	6,713,600	19⅝	+⅛
Woolworth	6,701,700	16	–2⅛
Oryx Ener	5,179,500	12⅛	⅝
Motorola	4,554,600	54⅞	+⅜
Carnival	4,408,900	24	+⅛
Compaq	4,327,500	33	+1
Ford Motor	3,203,500	27⅛	–½
Dig Equip	3,010,400	45	+2⅛
Barrick Gld	2,503,500	24	–⅜

TRADING ACTIVITY

● Volume (million)	Apr 13	Apr 12	Apr 11
New York SE	301.516	327.828	309.705
Amex	15.685	18.304	18.750
NASDAQ	338.830	319.849	332.194
NYSE			
Issues Traded	2,982	2,973	2,956
Rises	1,282	1,166	1,067
Falls	896	991	1,112
Unchanged	804	816	777
New Highs	111	92	88
New Lows	22	14	15

S&P 500	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	511.95	514.30	+2.15	514.85	511.70	50,209	194,889
Sep	517.90	518.50	+2.00	519.10	517.30	646	11,439
Nikkei 225							
Jun	15920.0	16350.0	+250.0	16350.0	15880.0	23,852	128,968
Sep	16100.0	16200.0	-320.0	16200.0	16100.0	31	101

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♠ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¶ Subject to official recalculation.

TOKYO - MOST ACTIVE STOCKS: Tuesday, April 17, 1995

	Stocks Traded	Closing Prices	Change on day
Nippon Steel	4.7m	340	+9
Fudo Constn	4.2m	851	+6
Toshiba	2.6m	575	–1
Tokyo Gas	2.0m	383	+3
Sumitomo Metal	1.8m	273	+6
NKK	1.8m	298	+4
Hitachi	1.7m	883	+18
Mitsubishi Heavy	1.5m	826	+11
Mitsubishi Chem	1.4m	472	+3
Kawasaki Kisen	1.4m	294	+8

هكذا من الاصل

صكرا من الاصل

WORLD STOCK MARKETS

AMERICA

US stocks in belated reaction to Fed data

Wall Street

A belated reaction to another sign of gentle economic slowing and strong corporate earnings reports sent US shares off into record territory again yesterday morning, *writes Lisa Bransten in New York.*

At noon the Dow Jones Industrial Average was 22.83 higher at 4,231.01, passing its earlier peak of 4,208.18 set on Thursday. The more broadly based Standard & Poor's 500 also broke into record territory, climbing 1.09 to 510.32, and the Nasdaq composite set a new high, rising 3.11 to 835.74. The American SE composite was up 1.72 at 473.68. Trading volume on the New York SE came to 163m shares.

On Friday the Federal Reserve published figures showing that industrial production was off 0.3 per cent in March, and much of yesterday's activity was attributed to a belated reaction to that data.

The Nasdaq composite received a boost when Microsoft, the largest company in that index, jumped $5⅝ to $77⅝. Late on Thursday the software company reported third-quarter earnings of 63 cents a share, against analysts' estimates of 59 cents a share.

Compuware lost ground after issuing a warning late on Thursday that fourth-quarter earnings would be nearer to 55 to 60 cents a share, against analysts' estimates of 71 cents a share. By mid-morning the stock was down about 13 per cent or $3⅝ at $24¼.

Chase Manhattan Bank added $1¼ at $43¾ on heightened speculation that NationsBank could buy the New York bank. Chase also reported earnings of $1.29 per share, 19 cents higher than the consensus estimate.

TRW forged ahead $3¼ to $71⅝ after announcing first-quarter earnings of $1.72 a share, against analysts' forecasts of $1.32 per share.

Canada

Toronto stocks were higher at midday, supported by a firmer gold price. The TSE 300 composite index was up 6.0 at 4,309.20 in volume of 22m shares valued at C$382m.

Advancing shares outpaced declines by 291 to 202, with 278 issues unchanged.

Bank stocks were active, with the sub-index rising 1 per cent to 3,315.42 after a fall in the yields on T-bills. Toronto-Dominion Bank led the actives, rising C$⅝ to C$21¼.

Royal Bank of Canada put on C$¼ at C$30¼ and Bank of Nova Scotia C$⅝ at C$28⅛.

John Labatt lost C$½ at C$22⅝, following last week's news that Onex was considering a takeover bid.

Latin America

MEXICO was off slightly by midsession, the IPC index losing 0.7 per cent at 1,843.02.

Equities fell by more than 6 per cent last week in low volume ahead of the Easter break. Analysts said that investors had taken profits after a rally in the market over the previous five weeks.

BUENOS AIRES made slight gains in early trade, helped by weekend measures adopted by the government to bolster the banking sector.

The Merval index was ahead 2.34 at 367.69 while the general index was 9.27 higher at 13,423.33. Turnover was light at 14.73m pesos.

On Friday the government announced that a new private deposit guarantee fund would come into action today.

EUROPE

Tabacalera rises 3.8%

With the major bourses remaining closed for the Easter holiday, activity at those that were open was extremely thin.

MADRID ended with a mild gain in a session characterised by the lowest daily turnover of the year so far at Pta7.8bn.

The Ibex index firmed 24.09 to 3,035.33 and the general index put on 1.91 at 278.40 in volume of 3.9m shares.

Tabacalera featured, the shares jumping Pta150 or 3.8 per cent to Pta4,100 as the group confirmed that a subsidiary had acquired stakes in a number of Latin American black tobacco producers from Standard Commercial, of the US. The cost of the acquisitions was put at $25m.

Repsol shed Pta30 to Pta3,705 as profits were taken after the completion of the share placement last week.

ISTANBUL attained yet another all-time high, rising 2.8 per cent. The composite index closed 1,375.72 up at 49,578.97.

So far this month the market has risen by 24.5 per cent, after a gain of 36.8 per cent in March and 15.4 per cent in February.

Turnover eased to TL1,734bn, from TL1,787bn on Friday.

Brokers said that the market was now aiming to break through the 50,000 level, and had hit an intra-session high of 50,114 before profits were taken.

Traders added that demand for equities had been further raised by the results of a nine-month T-bill auction in which the treasury had cut the average annual rate to 86.09 per cent, down 12.4 percentage points.

TEL AVIV lost some of Sunday's 2.8 per cent advance as investors sold stock following disappointment that the central bank had not lowered interest rates. The Mishtanim index, up 4.60 to 168.51 on Sunday, retreated 2.19 or 1.3 per cent to 166.32. Turnover amounted to Shk45m, against Shk47m on Sunday.

A fall of 0.1 percentage point in the consumer price index for March, the first decline in three years, had raised hopes that interest rates would be reduced.

Written and edited by John Pitt

ASIA PACIFIC

Volume drops as Nikkei recovers 1.6%

Tokyo

Volume collapsed in a technically influenced market, although share prices regained some ground on arbitrage linked buying, *writes Emiko Terazono in Tokyo.*

The Nikkei 225 average, which lost 2.4 per cent on Friday, recovered 1.6 per cent, closing 256.26 higher at 16,304.15 in spite of the dollar's fall to the Y82 level.

The index moved between 15,892.91 and 16,304.55 as turnover fell from 314m shares to 180m due to the rebound in the yen, and the absence of overseas investors due to the Easter holidays.

A decline in the futures market in early trading prompted arbitrage unwinding, sending the Nikkei index below the 16,000 mark for the first time since April 7. However, buying by banks and brokers propped up the market during the afternoon.

The Topix index of all first section stocks gained 14.58 or 1.1 per cent at 1,302.93 and the Nikkei 300 rose 3.52 or 1.5 per cent to 241.51. Advances outscored declines by 585 to 430, with 130 issues unchanged.

Traders noted purchasing of issues with relatively high dividend yields following last week's 0.75 percentage point cut in the official discount rate.

Electric power companies with dividend yields of around 2 per cent gained ground. Tokyo Electric Power put on Y20 at Y2,720 and Kansai Electric Power Y40 at Y2,300.

High-technology stocks were *higher in spite of the yen's* rise, with Hitachi appreciating Y18 to Y863 and NEC Y12 ahead at Y910.

Arbitrage buying helped brokers to advance. Nomura Securities rose Y20 to Y1,640.

In Osaka, the OSE average receded 11.85 to 17,909.37.

Roundup

Sydney, Wellington and Hong Kong were closed for the Easter holiday, which reduced interest in several of the markets which remained open.

TAIPEI, however, carried on in last week's bearish vein, transferring its attention to the financial sector, which fell 5 per cent as the weighted index dipped 135.68 or 2.2 per cent to 6,112.07 in turnover of T$42bn.

Financials were pulled down by heavy losses from the big three banks, Hua Nan, Chang Hwa and First, which went ex-dividend last Saturday. All *three banks incurred heavy* falls, Hua Nan leading with a drop of T$8.50 or 6.5 per cent to T$121.50.

Brokers said *financials* were hurt further by worries that a scheduled board meeting by the central bank on Thursday might tighten monetary policy to combat inflation.

KARACHI fell 1.55 per cent following a 1.3 per cent drop on Sunday, lacking positive news or institutional and foreign support to balance selling by individual investors. The KSE 100 index lost 25.43 at 1,612.80.

SINGAPORE saw fund managers mostly sidelined as global currency volatility continued to curb interest in equities, and on the local front selling in speculative Malaysian stocks traded over the counter depressed sentiment.

The Straits Times Industrial index shed 17.69 to 2,053.73 in volume of 63.33m shares as the UOB OTC index, tracking *Malaysian stocks, slipped 12.39* or 1.15 per cent to 1,067.00.

In **KUALA LUMPUR** itself, forced selling by clients following speculative buying early last week, and subsequent falls in the market, left the composite index down 3.34 at 962.63.

MANILA balanced profit-taking with a search for new equity situations. The composite index eased 8.83 to 2,487.95 but the property developer Megaworld rose 8.25 per cent to 10.50 pesos.

SEOUL climbed for the third consecutive session, the composite index adding 7.48 at 918.89. News reports, denied by the government, that South Korea would raise its ceilings on foreign share ownership in the third quarter prompted buying in blue chips. The government said the ceiling would be lifted to 15 per cent by the end of 1995 from 12 per cent at present, but not necessarily in the third quarter.

BANGKOK ended slightly firmer after the Bank of Japan's discount rate cut last week, but brokers said trade remained very thin on continuing dollar worries. The SET index rose 1.24 to 1,194.13.

New Zealand equities in a confident mood

Terry Hall takes soundings after the International Paper move on Carter Holt Harvey

Fuelled by International Paper's bid for a controlling 51 per cent stake in the forestry group Carter Holt Harvey, the New Zealand equity market rose 2.2 per cent last Thursday, its biggest one-day gain so far this year.

It is now 11.4 per cent up from the five-year low of 1.878 set in December.

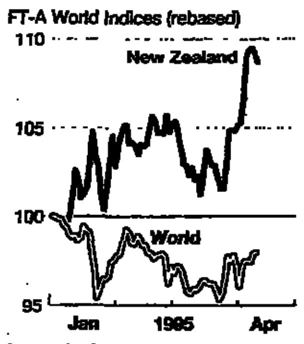
Helped by improving economic data, and increasing overseas interest, equities shook off their lethargy in mid-March, having been drifting aimlessly for months.

The stock market had been dull in spite of a string of strong 1994 profit results which were accompanied by optimistic forecasts of buoyant corporate earnings. Investors had also ignored a 2 per cent fall in long bond rates, from 10 per cent to under 8 per cent, since September.

The recent revival in equities has been due partly to the strength of Wall Street. US interest in New Zealand has been high because of economic reforms which have taken place in the past decade, and US investors now control an estimated 48 per cent of the local market, including 74 per cent of Telecom, the country's biggest company.

New Zealand

FT-A World Indices (rebased)



Source: FT Graphite

But there has also been an increasing interest from Asian and UK investors, following New Zealand's success in coping with inflation through the Reserve Bank Act, as well as other economic reforms which are leading to strong growth, budget surpluses, and planned tax cuts.

Interest has also been helped by the latest data which suggests that New Zealand will achieve a "soft economic landing". This is being credited to the decisive action by the Reserve Bank late last year which was designed to cut economic growth from 6.5 per cent by encouraging higher interest and exchange rates, and GDP is now expected to fall to about 3.5 per cent this year.

Evidence of the "soft landing" comes from latest statistics which have revealed a decline in private consumption, and slower economic growth. Inflation also appears to be easing, although the Reserve Bank remains wary at the prospects of underlying inflation moving above 2 per cent over the next six months.

The bank's March economic forecasts report that inflation will decline to 1 per cent next year, assuming that monetary conditions remain firm, and that the currency continues to appreciate at 2 per cent a year.

Mr Peter Keenan, chief economist at CS First Boston, says all indications suggest that strong growth will continue, and that the economic cycle will be a long one. "Corporate earnings will improve strongly in this environment," he says.

He adds that New Zealand's rising fiscal surpluses, coupled with the Reserve Bank's tight monetary stance, has heightened prospects that both inflation and the balance of payments will be held at manageable levels, and that the economy is escaping the risk of recession.

Mr Keenan goes on to say that both growth and investment levels remain high, suggesting that businesses are expanding and household incomes rising.

In spite of a strengthening trade weighted index, manufacturing exports remain buoyant, although there is concern at a 10 per cent rise in the Australian currency over the past month. Australia takes the bulk of New Zealand's manufactured exports.

New Zealand commodity prices have risen strongly this year: the ANZ Bank commodity index climbed by 12.7 per cent in the three months to February, offsetting a 9.9 per cent increase in the New Zealand dollar. Prices of major exports, dairy, wool, woodpulp and kiwi fruit, all rose in the period, offsetting falls in beef and sheepmeat.

There are some negatives, however. The weight of US money in the stock market has caused some anxiety as to what might happen if Wall Street goes into reverse.

In addition there are political worries: the next elections, 18 months away, will be held under the German proportional voting system which is likely to lead to coalition governments.

For the moment, though, the positives easily outweigh any negatives. Most analysts and major investors forecast that the equity market will rise by a further 10 to 25 per cent this year, helped by forecast profits rises.

Further corporate activity, such as the first come, first served, bid by International Paper for Carter Holt Harvey, is expected to increase liquidity in the market, as are forthcoming changes in corporate legislation.

CONTRACTS & TENDERS

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Fidelity Money Funds
Pembroke Hall, Pembroke, Bermuda
UK Prof Advisers 0800 414181 — Jersey 01534 71696
Private Clients 0800 414161 — 00 352 250404230
From O'seas (44) 1732 777377 — Hong Kong (852) 848 1000

	Init Chrge	Notes	Selling Price	Buying Price	Yield Gr's	City-Line
A$ Accum			A$17.487		6.50	4097
A$ Dist			A$15.108		6.50	4098
ASch Accum			Sch239.57		3.70	4744
ASch Dist			Sch201.46		3.70	4743
BFr Accum			BFr540.65		4.90	4039
BFr Dist			BFr504.67		4.90	4040
C$ Accum			C$17.480		7.00	4041
C$ Dist			C$15.204		7.00	4058
DKr Accum			DKr108.43		5.80	4047
DKr Dist			DKr101.04		5.80	4047
DM Accum			DM36.832		3.70	4128
DM Dist			DM30.232		3.70	4129
DFl Accum			Dfl30.571		3.70	4059
DFl Dist			Dfl25.199		3.70	5012
ECU Accum			Ecu12.704		5.40	4225
ECU Dist			Ecu10.104		5.40	4230
FM Accum			FM105.84		3.30	4094
FM Dist			FM100.76		3.30	4095
FFr Accum			FFr63.167		8.10	4032
FFr Dist			FFr50.946		8.10	4375
HK$ Accum			HK$112.50		5.80	4136
HK$ Dist			HK$101.19		5.80	4133
I£ Accum			I£11.487		4.80	4463
I£ Dist			I£10.080		4.80	4480
Lire Accum			L20714		9.20	4138
Lire Dist			L16261		9.20	4347
NZ$ Accum			NZ$35.590		7.70	4154
NZ$ Dist			NZ$30.458		7.70	4155
NKr Accum			NKr108.41		3.80	4946
NKr Dist			NKr100.81		3.80	4947
PEs Accum			Es3901.0		9.20	4048
PEs Dist			Es2545.3		9.20	4049
S$ Accum			S$26.438		1.50	4050
S$ Dist			S$25.053		1.50	4357
SPta Accum			Pta2445.1		7.80	5024
SPta Dist			Pta1827.3		7.80	5025
£ Accum			£12.170		5.00	4548
£ Dist			£10.106		5.00	4547
SKr Accum			SKr110.80		7.10	4064
SKr Dist			SKr101.38		7.10	4365
SFr Accum			SFr28.907		2.30	4150
SFr Dist			SFr25.125		2.30	4574
US$ Accum			$21.982		5.00	4575
US$ Dist			$20.202		5.00	4576
Yen Accum			Y2884.4		0.70	4582
Yen Dist			Y2504.5		0.70	4307

Prices for dealing April 13

Jupiter Tyndall (Bermuda) Ltd
PO Box HM 1258, Hamilton, Bermuda — 001 809 292 2780
Jupiter Tyndall World Umbrella Fund Ltd

	Init Chrge	Notes	Selling Price	Buying Price	Yield Gr's	City-Line
Eurobond			$14.74	15.49	2.07	4982
Money US			$13.47	14.15	2.88	4987

Sarasin Funds Mngmt (Guernsey) Ltd
PO Box 245, St Peter Port, Guernsey — 01481 723021

	Init Chrge	Notes	Selling Price	Buying Price	Yield Gr's	City-Line
GlobalSar Dollar Accum	5		$27.37	29.04	–	4465
GlobalSar Dollar Dist.	5		$25.88	27.44	2.88	4870
GlobalSar-£	5		£16.61	17.61	3.19	4531
(Accum Units)	5		£19.17	20.32	–	4495

Schroder Investment Mngmt (Guernsey) Ltd
PO Box 255, St Peter Port, Guernsey — 01481 710851

	Init Chrge	Notes	Selling Price	Buying Price	Yield Gr's	City-Line
European Bd $	3		$11.3266	11.7714	7.25	4481
Approx Stlg Equiv	3		£7.1301	7.3798	7.35	4485

GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd

	Selling Price	Buying Price	Yield Gross	City-Line
Emerging Mkt Liquidity Plus	$11.12	11.51	–	49063

Apollo Investment Management Ltd

	Selling Price	Buying Price	Yield Gross	City-Line
Japan	$10.077	10.580	–	55577
Tiger	$9.389	10.004	–	55497

Arab Bank Fund Managers (Guernsey) Ltd
AB International Fund Ltd

	Selling Price	Buying Price	Yield Gross	City-Line
Managed Currency	$10.99	11.03	–	47941
International Bond	$11.05	11.08	–	47940

Bachmann Global Investment Fund Ltd

	Selling Price	Buying Price	Yield Gross	City-Line
Cash, Gilt & Stlg Fxd Int.	£17.92	17.96	–	45821
US Dollar & Bond & Cy.	$153.83	157.17	–	45807
Sterling Int Bond & Ccy.	£101.06	103.22	–	50129
Global Equity	£8.84	9.25	–	50130
Intl Equity Index	$100.51	104.98	–	55578

Bellwest Management (Guernsey) Ltd

	Selling Price	Buying Price	Yield Gross	City-Line
Bellwest – Israel Fd	$554.89		–	52174
Bellwest – Brazil Fd	$1073.59		–	52175
Bellwest – Multi Bond Fd	$927.21		–	52176
Bellwest – Global Fd of Fds	$780.92		–	52177
Bellwest – Selector Class	$287.09		–	52178

CIBC Fund Managers (Guernsey) Ltd

	Selling Price	Buying Price	Yield Gross	City-Line
PCF Sterling Bond ф	£10.87	11.00	–	44979
PCF US Dollar Bond ф	$15.40	15.65	–	44982
PCF Canadian Dollar Bond ф	C$21.49	21.86	–	49084
PCF Euro Bond ф	SFr18.32	18.68	–	44980
PCF Euro Equity ф	SFr18.54	19.14	–	44982
PCF Balanced ф	$15.87	15.95	–	53498
PCF Far East ф	$14.25	15.27	–	53499

Clariden Investment Management (Guernsey) Ltd

	Selling Price	Buying Price	Yield Gross	City-Line
Clariden India Fund		$97.28	–	54958

Dantrust Management (Guernsey) Ltd

	Selling Price	Buying Price	Yield Gross	City-Line
Dantrust Limited	Ecu19.03	19.04	–	44873

Global Portfolio Management (Guernsey) Ltd

	Selling Price	Buying Price	Yield Gross	City-Line
Global Conv Bd Dec 29	$11.69	11.70	–	53501
Global Emerging Markets	$10.31	10.32	–	

Guernsey Capital Management Limited

	Selling Price	Buying Price	Yield Gross	City-Line
GCM Intl Fd Inc Class	$1000.38	1001.74	–	55579
GCM Intl Eq Class Fd	$184.72	104.82	–	49085
GCM SA Inc Class	$983.44	983.70	–	55580
GCM US$ Special Class	$986.45	991.97	–	54980

Hambros Fund Managers (CI) Ltd

GT Asset Management (Ireland) Ltd

Emerging Dynamic Fund Plc

F.I.T. Investment Trust Ltd (u)

Framlington Investment Mgmt (Ireland) Ltd

Frank Russell Investments (Ireland) Ltd (u)

City Financial Admin (IoM) Ltd

Duncan Lawrie Inv. Mgt. Ltd

IBI Managers (IoM) Ltd

Lloyds Private Banking (CI) Ltd

Lombard Odier (Jersey) Ltd

Dise Income Fund

Dolphin Intl Investments (u) SICAV

Dresdnerbank Asset Mngmt SA (u)

Nikko Japan Return Reversal Fund

Nomura Global Fund (u)

PRICOA Worldwide Inv Portfolio Sicav (u)

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

IRELAND (REGULATED)(**)

IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (REGULATED)(**)

LUXEMBOURG (REGULATED)(**)

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OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

LONDON SHARE SERVICE

BANKS, MERCHANT

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Barings 8pc Cm 2nd Pf		58½	—	8%	–	Jan Dec	14.11	1757
9¼pc Non-Cum Pf		44	—	9¼%	–	Jan Jul	14.11	1421
Cater Allen	♣†□	473	3.1	28.3	1.6	Jan Jul	12.12	2081
Close Bros	♣†□	261xd	—	7.9	2.9	Apr Oct	13.3	2166
Gerrard & Nat	♣†□	417	0.6	24.0	1.3	Jul Dec	7.11	2886
Hambros	□	208	–4.6	15.0	1.1	Aug Dec	28.11	2812
7¼pc Cv Pf		98	–1.0	7¼%	–	Oct Apr	20.2	4388
Joseph (L)	♣†	365	—	17.55	1.9	Sep Dec	5.12	3066
King & Shaxson	♣	88	–3.3	9.0	1.1	Jan Jul	19.12	3086
Kleinwort Benson	♣v□	544xd	–2.6	21.5	2.6	May Oct	27.2	3102
Rea Bros	♣□	55xd	–2.7	1.8	ф	May Oct	10.4	3765
Schroders	♣v□	1628xd	6.1	20.5	5.1	May Oct	27.3	3938
N/V	v	1443xd	6.9	20.5	5.1	May Oct	27.3	3941
Singer & Fried	♣□	83	1.2	3.5	ф	Nov Jun	19.9	4035
Union	♣□	67xd	–3.6	3.9	ф	Apr Oct	13.3	4353
Warburg (SG)	♣□	748	2.8	22.0	2.4	Jul Dec	14.11	4425
Wintrust	♣†	285	—	10.6	1.5	Oct Mar	20.2	4524

BANKS, RETAIL

[illegible]

BREWERIES

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

BUILDING MATS. & MERCHANTS - Cont.

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Cont.

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

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LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

INVESTMENT COMPANIES - Cont.

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

OIL EXPLORATION & PRODUCTION

OIL EXPLORATION & PRODUCTION - Cont.

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Anglo Am Ind		2321/2	—	0450c	♦	Oct Apr	3'93	–
Barlow	♣	551/2	–1.5	058c	2.8	Jan Jul	12.12	–
Gold Flds Prop R		144xz	—	080c	♦	Feb Sep	1'94	–
NK Props.		90	—	067.1c	–	Feb Sep	10'93	–
SASOL	♥	588	–5.9	078c	–	Oct	9'93	–
SA Brews	†	£167/8	–1.5	0163c	2.2	Jun Dec	21.11	–
Tiger Oats		580	—	085c	2.8	Jan Jul	12.12	–
Tongaat-Hulett	†h	743	—	080c	2.4	Jan	1'94	–

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; unless "v" is shown in the Notes field, indicating that the cover is calculated on a "net" basis. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- § Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v P/e ratio & net cover calculated under new ACT guidelines. z Dividend includes a special payment: Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1994-95. G Assumed dividend after pending scrip and/ or rights issue. H Dividend based on prospectus or other official estimates for 1995. K Dividend based on prospectus or other official estimates for 1994. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1995-96. O Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution

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FT Share Service

The following changes have been made to the FT Share Information Service: Additions: Zotefoams (Chems), Superframe (Eng), Canadian Gen Wts and HTR Inc & Gwth Ord & Zero Pf (Inv Tsts), Colleagues and Gold Rose Comms (Media) and Com-Tek Res A (Oil Explrn). Deletions: Lombard (Insce) and Gartmore American Ord & Zero Pf (Inv Tsts).

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4 pm close April 17

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1995 High	Low	Stock	Div	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
14¼	12⅞	AAR	0.48	3.6	22	268	13⅝	13¼	13½	+⅛
24	19¼	ALPharmaA	0.18	0.8	296	95	23¾	23½	23¾	+⅛
39⅛	35	AMP	0.92	2.4	22	3531	39	38¾	39	+⅛
70	53⅜	AMR			29	6150	69¾	67¼	67¾	-2¼
47⅞	41⅞	ASA	1.71	3.7	30	1873	46¾	45⅛	46¾	+1¾
39⅛	30¾	AbbtL x	0.84	2.2	19	9723	39	37⅞	38	-1
14⅝	12	AbitibiPr	0.50	3.5	19	702	14½	14¼	14⅜	+⅛
24⅜	21	ABM Ind	0.60	2.7	12	15	21⅞	21¾	21⅞	+⅛
16⅝	14¼	Acptocein			8	28	14¾	14½	14⅝	-⅛
27	21⅞	ACE Ltd	0.44	1.7	8	57	26¼	26	26⅛	+⅛
9¾	8⅛	ACM Gvt In	0.90	10.9	7	498	8⅜	d8⅛	8¼	-⅛
7½	6½	ACM GvOpp	0.66	9.8		408	6⅞	6¾	6¾	+⅛
7½	5¾	ACM Gvt Sp	0.75	12.2		179	6¼	6⅛	6⅛	
8⅝	7¼	ACM Gvt Se	0.90	12.2		389	7⅝	7⅜	7⅜	-¼
8½	7⅝	ACM Man	1.08	13.3		428	8¼	8	8⅛	+⅛
7⅝	7⅛	ACM Mangd x	0.72	9.9		30	7¼	7¼	7¼	-⅛
19¼	10¼	AcmeClv	0.48	2.7	10	190	18¼	17½	17¾	-⅜
21½	12⅜	Acme Elect			22	136	19¾	19½	19⅝	-¼
34½	31⅜	Acordia	0.72	2.2	16	19	33⅛	32¾	33⅛	+¼
11⅞	8⅝	Acuson	0.36	3.8	7	525	9¾	9½	9½	-⅛
16¾	11⅛	Acxiom			18	307	11¾	11½	11½	-⅛
16⅝	15⅝	Adams Exp	0.36	2.2	0	268	u16⅝	16⅜	16⅝	+⅛
68½	53	Ad Micro				66	66	66	66	
36⅞	25	AdvMic			9	11349	34⅞	33½	33⅝	-1⅛
6⅞	5	Advest Grp	0.16	2.8	28	4	5¾	5⅝	5¾	

Continued on next page

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4 pm close April 17

NYSE COMPOSITE PRICES

1995 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
		Continued from previous page								
10	8	SantaFeERs	0.16	1.7	158	5161	9¾	9½	9½	-¼
12⅞	9	SFeCd			27	6652	12⅝	11⅞	12⅝	+1
37	33¼	SFePPipe	2.80	7.7	9	199	36½	36¼	36⅜	-⅛
23¾	17⅞	SanFeP	0.10	0.4	22	7033	u24	23½	23¾	+¼
28⅛	24¼	SaraLee	0.68	2.5	55	4033	28	27¼	27¼	-⅝
45⅛	41⅛	Scana Corp	2.88	6.7	13	552	43⅛	42⅞	42⅞	-⅛
18¾	14½	Scecorp	1.00	6.2	10	3664	16⅜	16⅛	16⅛	-¼
11¼	8⅛	SchwitzA	0.25	2.8	14	8	9⅛	9	9⅛	+⅛
60¼	42⅜	ScheringP			30	619	49⅞	49	49¼	+¼
79¾	71	ScheringPl	2.32	2.9	16	4889	u79¾	79	79¾	+⅝
60⅛	50⅛	Schlmb	1.20	2.1	26	4882	59¼	58⅜	58⅜	-½
46⅛	28⅜	Schwab(C)	0.24	0.7	21	1882	33⅝	32½	32⅝	-⅛
11	7¾	Schweitzer			9	72	u11	10⅞	11	+¼
24⅞	17½	SciAtl	0.06	0.3	29	1655	23⅞	23⅛	23⅜	-¼
18⅝	16⅞	Scotsman	0.10	0.6	12	224	18¼	18	18¼	+¼
91⅛	67⅛	ScottP	0.80	0.9	24	5982	88¼	84⅝	85	-2⅜
32¾	26⅞	Scripps	0.44	1.5	18	1727	30¼	30⅛	30¼	
21½	14⅝	ScudderNAF	0.02	0.1		81	16⅜	16⅛	16⅛	-⅛
9¾	8⅝	ScudderNEF	0.16	1.8		764	9⅛	9	9	
16	13⅝	SeaCnB	0.70	4.3	10	30	u16½	16	16⅜	+⅜
18	16⅝	SeaCT.4625	1.46	9.4		15	15½	15⅛	15½	+⅛
30⅛	23⅝	S'gate			8	5255	29⅝	28⅜	28½	-⅝
32⅛	25⅝	Seagrm	0.60	2.2	12	7670	27⅞	27⅛	27⅜	-½
20	15¼	Seagull En			180	830	17¾	16⅞	17⅛	-⅜
45½	35⅞	Sealed Air			22	109	42¼	41⅞	41⅞	
54⅛	44⅛	SearsR	1.60	3.1	16	5138	53	51¾	52	-¾
18½	16⅜	SecCapSBI	1.15	6.9	25	270	17	16¼	16¾	-⅛
12¼	10⅜	Seligm Sel x	0.84	7.0		50	12	11⅞	12	+⅛
35⅞	27½	Sensormat	0.22	0.8	23	5442	30	29⅛	29⅛	-⅞
31¾	21⅞	SequaA	0.60	2.1	9	23	28½	28⅛	28½	+⅜
28⅝	13¼	Taiwan Fd	0.02							
10⅝	7⅜	Talleyind	0.42							

AMEX COMPOSITE PRICES

4 pm close April 17

NASDAQ NATIONAL MARKET

4 pm close April 17

FT GUIDE TO THE WEEK

TUESDAY 18

Brittan in China

China's bid to join the World Trade Organisation will be among the main points on the agenda of Sir Leon Brittan (left), chief trade negotiator for the European Union, when he visits Beijing today, at the start of a week-long trip. Sir Leon is also expected to talk about bilateral relations with the EU.

After Beijing Sir Leon moves to Sichuan and Hunan provinces where he will visit industrial projects that have received assistance from the EU. He is also expected to raise the issue of human rights abuses.

Hong Kong on the agenda

Douglas Hurd, UK foreign secretary, will meet his Chinese counterpart, Qian Qichen, in New York during the nuclear non-proliferation treaty conference, to discuss Hong Kong in the run-up to an official meeting in London later this year.

The treaty review, sponsored by the United Nations, gets into full swing today. The conference, which continues until May 12, will discuss whether the 25-year-old treaty should be permanently extended. And it appears to be a good opportunity for leaders to meet and discuss other important issues.

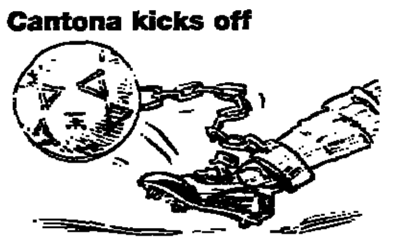
Vietnamese chief in Japan

Vietnamese Communist party leader Do Muoi is in Japan on a five-day visit for talks with Tomiichi Murayama, the prime minister.

Auto talks conclusion

US-Japan talks over vehicle trade are expected to conclude. A successful outcome could boost the faltering US dollar and open the door for the Japanese car industry to buy more American-made parts. But failure to reach a deal may lead to sanctions against luxury Japanese cars.

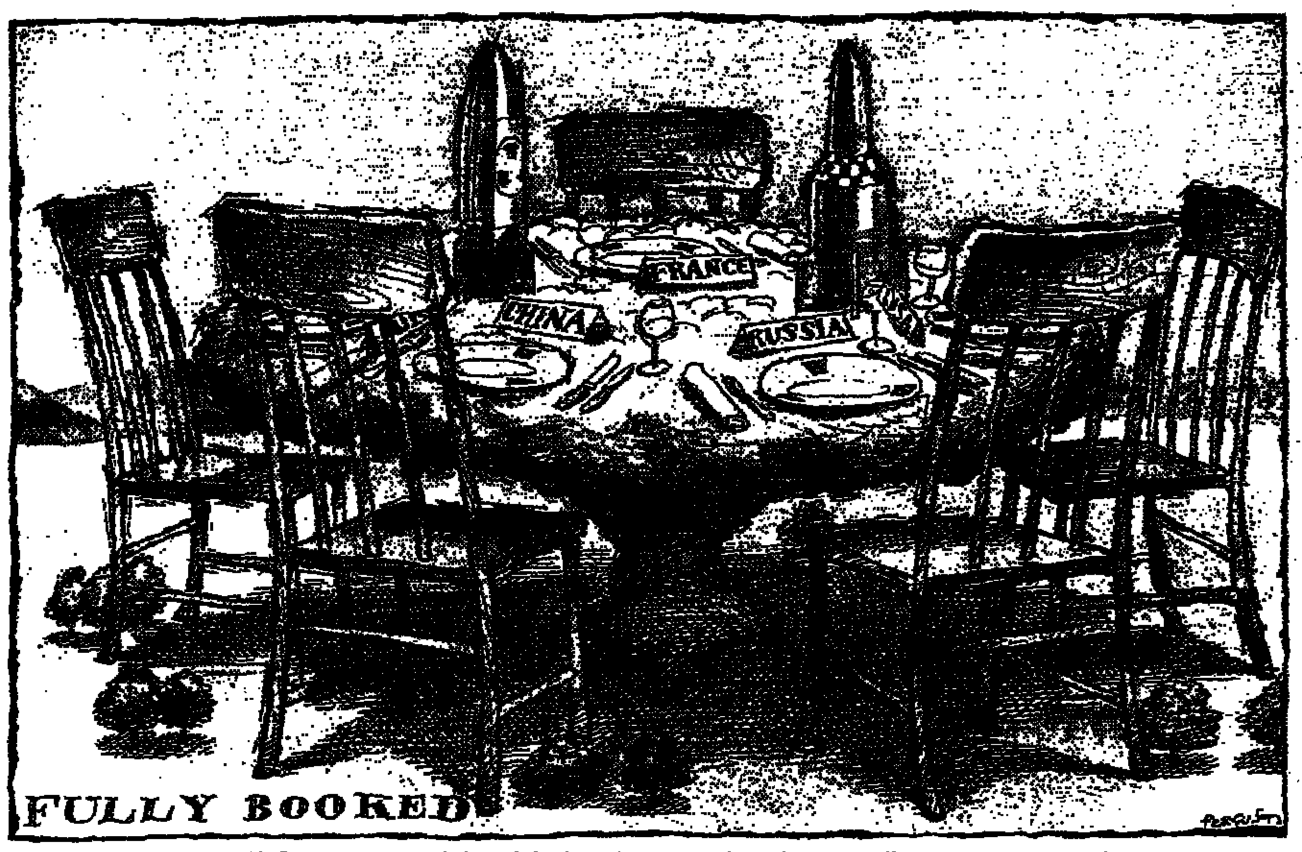
Cantona kicks off



Eric Cantona, Manchester United and French international player, is due to start his 120-hour community service order for attacking a football spectator during a match earlier this year. The suspended player will coach 700 children from Salford, Greater Manchester, in a specially devised programme.

Hungarian chief in the US

Laszlo Kovacs, Hungarian foreign minister, visits the US. In his capacity as chairman-in-office of the Organisation for Security and Co-operation in Europe, he is due to meet Boutros Boutros Ghali, United Nations secretary-general, in New York. He will also visit Washington to prepare for the arrival of Gyula Horn, Hungary's prime minister, in June.



Non-aligned nations meet the big five nuclear powers in New York this week to discuss the nuclear non-proliferation treaty

FT Survey

FT Exporter.

Holidays

Zimbabwe (Independence Day).

WEDNESDAY 19

Ford's vote of confidence

Ford is expected to use today's visit of Timothy Eggar, UK industry minister, to the company's plant in Dagenham, Essex, to announce that the site has been chosen to manufacture a new diesel engine – codenamed "Puma" – which will be fitted in some saloons and commercial vehicles made in Germany, Belgium and Poland.

The investment, likely to approach £200m, will be seen as a big vote of confidence in the UK plant, which has previously been criticised by Ford management for poor productivity.

Turkish questions

Turkish Prime Minister Tansu Çiller is expected to be questioned over Ankara's push on rebel Kurds in northern Iraq during her visit to Washington. She is due to meet President Clinton today.

Talks on investment treaty

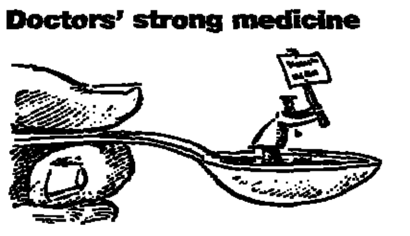
Representatives of governments and business meet in Paris to discuss plans for a multilateral investment treaty. Negotiations, under the aegis of the Organisation for Economic Co-operation and Development, could begin this year.

Holidays

Venezuela.

THURSDAY 20

Doctors' strong medicine



Representatives of 35,000 family doctors in the UK will meet today to discuss whether or not to ballot their members on selective industrial action in protest at what they consider to be a growing burden of out-of-hours work.

Meetings during the past few months between the British Medical Association and the Conservative government have not resolved the issue. Doctors suggest that sanctions could be aimed at the Treasury and could include prescribing expensive brands of drugs, rather than cheaper generic ones.

Maastricht - the road ahead

Jacques Santer chairs a meeting of the full 20-member European Commission to discuss how effectively the Maastricht Treaty has worked. The discussion will provide indications of what options for change the Commission will propose in the run-up to the 1996 inter-governmental conference.

Cardoso to meet Clinton

Brazil's President Fernando Henrique Cardoso meets President Clinton in Washington. Expected topics of discussion are the effects of the peso collapse on hemispheric trade talks and intellectual property rights.

African states in summit

A mini-summit in Tunis, involving 12 African heads of state, including South African President Nelson Mandela, will discuss ways of solving disputes in various African countries, mainly the Rwanda, Burundi, Somalia and Liberia conflicts.

Plutonium activities

A special session of the parliamentary control commission responsible for overseeing the activities of Germany's intelligence services, meets today to discuss allegations of a recent cover-up involving the smuggling of plutonium into the country.

Corruption verdict

A court in Lyons, France, is expected to announce its verdict in the corruption case which started in February against Michel Noir, the mayor, Pierre Botton, his son-in-law, Michel Mouillot, mayor of Cannes, Patrick Poivre d'Arvor, a television presenter, and eight other defendants.

Curies in the Panthéon

The ashes of Marie Curie, Nobel prize-winning French chemist, and her husband, Pierre, are transferred to the Panthéon in Paris, the symbolic resting place of the country's leading figures. She will be only the second woman to be placed in the secular shrine.

FT Survey

Business Air Travel 95.

Holidays

Iceland (first day of summer).

FRIDAY 21

Nuclear talks deadline

Deadline for US and North Korea to sign a contract on the supply of a light-water nuclear reactor to the communist state as part of last year's nuclear accord.

Rain on Vienna party

The so-called "party day" of the battered Austrian People's party (OeVP) is unlikely to be very festive. The conservative party, junior partner in the governing coalition since 1986, has steadily lost popularity under the colourless leadership of Erhard Busek, even slipping behind Jörg Haider's extreme right-wing Freedom party in recent polls. Most party members want Mr Busek out, but no one else seems to want to pick up the leaky chalice.

FT Survey

Queen's Awards 95.

Holidays

Brazil, Lebanon, Greece, Israel (last day of Jewish Passover).

SATURDAY 22

London to Mexico, by car

One of the great motoring adventures of the decade, the 16,000km London-Mexico Rally, starts at 10am from Heathrow. Motor sport impresario Nick Brittan, who staged the 1993 London-Sydney Marathon, has devised a gruelling route threading through much of the Andes. The vehicles are headed for a finish in Acapulco – some 30 days later. The previous London-Mexico rally was held in 1970.

Wonder horse steps forth

Celtic Swing, tipped as an exceptional champion racehorse, makes his debut as a three-year-old in the Greenham Stakes at Newbury racecourse, Berkshire, en route (barring injury) to the English 2,000 Guineas and English and Irish derbies.

The horse was Europe's champion two-year-old last season, and is bristling with good health, says his trainer, Lady Herries. Two years ago she trained 24 horses. Because of the exploits of Celtic Swing, her string this year numbers 73.

Breakfast with Tiffanies

The most important private collection of Tiffany lamps to reach the market comes under the hammer at Sotheby's New York today. Estimates on the 62 lamps, assembled by Houston businessman John W. Mecom Jr, range from $3,000 to $900,000, for a unique lamp produced around 1900. All told, the collection should realise more than $6m.

SUNDAY 23

French election

France votes in the first round of the presidential election in the race to succeed François Mitterrand, who is stepping down after two seven-year terms. Of the nine official candidates, Jacques Chirac, the Gaullist mayor of Paris, was leading in the last opinion poll. Lionel Jospin of the Socialist party and Edouard Balladur, the Gaullist prime minister, are competing to run against him in the second round of voting on May 7.

Italian poll pointer

Italy holds local elections in the 15 mainland regions. The poll is being seen as a trial run for general elections and may well determine their timing, depending on how the main parties and their alliances perform.

Voting in Japan

Voting for 117 mayors and municipal assembly members in the second round of Japan's local elections. There may be surprises, just as there were in the first round on April 9, when a former actor and an ex-comedian were chosen as governors of Tokyo and Osaka respectively.

Polish PM in talks

Jozef Oleksy (left), Poland's new prime minister, makes an official visit to Hungary at the invitation of his counterpart there, Gyula Horn. With both countries keen to join the European Union and Nato, European integration will be high on the agenda.

Camp horrors remembered

Official ceremonies to mark the 50th anniversary of the liberation of the Ravensbrück and Sachsenhausen concentration camps take place in the eastern German state of Brandenburg. Ignaz Bubis, head of the Jewish community in Germany, will attend.

The Nazis opened Sachsenhausen as a concentration camp in 1933, soon after Hitler came to power. More than 20,000 Jews had been sent to the camp by November 1938. Jewish women and gypsies had been sent to the slave labour camp at Ravensbrück, north of Sachsenhausen.

Holidays

Christian celebrations for Easter Sunday in some countries. Turkey (National Sovereignty Day).

Compiled by Shelley Wood. Fax: (+44) (0)171 873 3194.

ECONOMIC DIARY

Other economic news

Today: With financial markets this week expected to be dominated by concerns over the yen-dollar rate, analysts will be watching figures from Tokyo that may shed light on the state of the Japanese economy and influence events on the currency exchanges. Today's money supply data will provide clues on the level of domestic demand, and the degree to which imports of goods, especially from the US, may be influenced in coming months by the strong yen.

Wednesday: The US trade figures could have an impact on the dollar and will be widely watched.

Thursday: The regular meeting of the Bundesbank council in Frankfurt is thought unlikely to lead to any changes in interest rates. The March figures for the UK's public sector borrowing requirement should provide further clues as to how much the hesitant recovery is improving the government's finances.

Friday: The latest income and consumption figures from Japan will give some idea of how much the Kobe earthquake cut into people's propensity to spend. UK retailers will be hoping for good figures for shop spending in March.

Statistics released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	Japan	Feb industrial production†	-	1.9%
April 17	Japan	Feb shipments†	-	2.7%
Tues	US	Mar housing starts	1.35m	1.32m
April 18	US	Mar building permits	-	1.29m
	Japan	Apr wh'sale price indx, 1st 10 days	-	-
	Japan	Mar money supply, M2+CD**	-	3.6%
	Japan	Mar broad liquidity**	-	4%
	Canada	Feb manufacturing new orders	-	1.5%
	Canada	Feb manufacturing shipments*	-	3%
	Switz'd	Mar producer price indx**	0.8%	0.8%
Wed	US	Feb trade, goods & services	-$10.2bn	-$12.2bn
April 19	US	Feb bal payment, goods/serv export	$61.6bn	$60.7bn
	US	Ditto, imports	$72.5bn	$72.9bn
	Italy	Feb industrial production**	7.5%	12.3%
	Canada	Feb merchandise exports*†	-	6.2%
	Canada	Feb merchandise imports*†	-	5.4%
	Canada	Mar lead indicator*†	-	0.5%
	Sweden	Feb retail sales**	-	6%
	Sweden	Mar unemployment rate	7.4%	7.6%
Thur	US	Apr Philadelphia Fed indx	-	3.3
April 20	UK	Mar public spending borrowing req	£8.5bn	£5.1bn
	Canada	Feb department store sales**	-	9.4%
	N'lands	Feb industrial production**	2.7%	3.4%
	Sweden	Feb current a/c	-	SKr2.6bn
Fri	US	Mar Treasury budget	-$40bn	-$36bn
April 21	Japan	Feb overall pers consump expend**	-	-4.2%
	Japan	Ditto, workers**	-	-2.9%
	Japan	Feb income, workers**	-	1.9%
	France	Mar consumer price indx final*	-	0.4%
	France	Mar consumer price indx final**	-	1.7%
	UK	Mar retail sales*	0.3%	1.2%
	UK	Mar retail sales**	2.2%	2.6%
	Italy	Apr cities consumer price indx**	5.2%	4.9%
	Spain	4th qtr wage rises**	4.1%	4.4%
	Canada	Mar consumer price indx, all items*	-	0.5%
Sat	Italy	Feb producer price indx**	-	5.6%
April 22	Italy	Feb wholesale price indx**	-	6%
During the week...				
	Japan	Mar Tokyo dept store sales**	-	-3.1%
	Germany	Mar M3 from 4th qtr 94 base	-3%	-3.8%
	Germany	Mar M3 from 4th qtr 93 base	3.5%	3.7%
	Germany	Mar priv sect lending, 6-m ann'ised	7.4%	7.7%
	Germany	Mar producer price indx*	0.2%	0.2%
	Germany	Mar producer price indx**	1.9%	1.8%
	Germany	Mar wholesale price indx*	0.1%	0.7%
	Germany	Feb retail sales, real	-1.7%	0.0%
	Spain	Mar govt budget balance	-	PTa194bn

*month on month, **year on year, †seasonally adjusted   *Statistics, courtesy MMS International.*

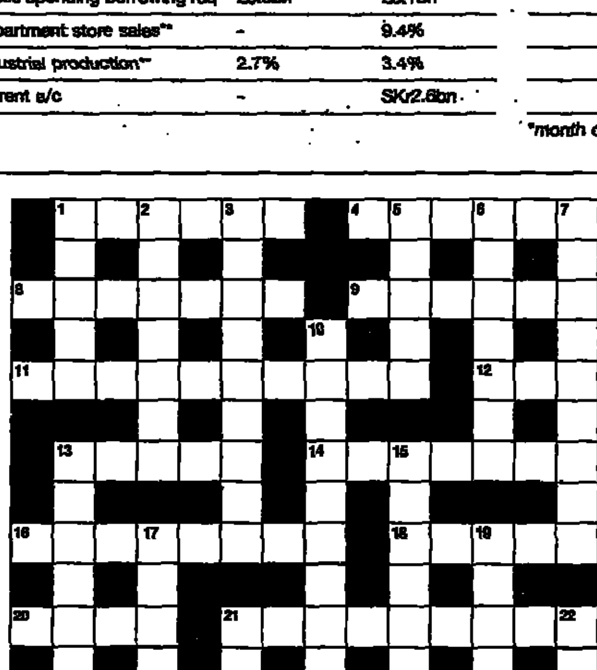
MONDAY PRIZE CROSSWORD

No.8,738 Set by ADAMANT

A prize of a Pelikan New Classic 390 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday April 27, marked Monday Crossword 8,738 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday May 1. Please allow 21 days for delivery of prizes.

Name.........

Address.........



ACROSS

1 Apparently well behaved during last month? Time will show (6)
4 Provincial force accepts it's over in the country (6)
8 Bad tempered agent carrying too much in France (7)
9 Sign of turning prosaic having lost a round replacement (7)
11 Priority parking: no charge in judge's case (10)
12 Sigh when going round the city (4)
13 Show a lack of care (5)
14 Machinist points to one in green overall (8)
16 Pirate edition provided a foretaste (8)
18 On course for getting one over the colonel (5)
20 Cross dressing-down initially at college pranks (4)
21 Suitable chorus for "Hair" (6-4)
23 Could be a major force if developed (7)
24 Quakers reclaim divine manifestation (7)
25 Said to bring a smile to Leicestershire, for example (6)
26 Late cover (6)

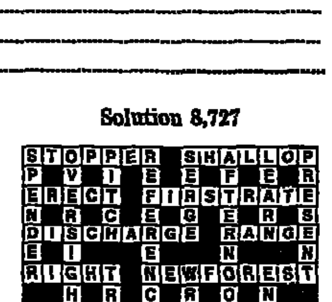
DOWN

1 Prevent dead tree being moved (5)
2 Tender couple express willingness (7)
3 Protect the reproductive system (9)
5 Relative solving new clue (5)
6 Land can contain rare material (7)
7 In any case the Queen follows smart, sharp practice (9)
10 Get in the path of river in Tenerife disaster (9)
13 Sleepy Channel Island had wood work coming up on Saturday only, at first (9)
15 Lilian accepted another bribe? Nonsense! (9)
17 Music from Mr Rice is in fashion (7)
19 The police go round collecting illegal tapes (7)
21 It's not so much the bishop starting to make the sign of the cross (5)
22 Drunk nothing on idle fling (5)

Winners 8,727

Leslie S. Davies, Solihull
J. Hanna, Ballyclare
Michael A. Scott, South Carolina
Wendy Dore, Harrow
Bob Brown, Acton
Ian D. Thompson, Clitheroe

Solution 8,727



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